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ABSTRACT

Focusing on making and using a financial plan, this document is one in a series of three consumer education modules developed to educate individual adult consumers in important areas of consumer affairs. An introductory section provides an overview of the module contents, suggested approaches for using the module, and suggestions for working with adults. Preceding the conceptual outline of the learning module is a complete list of objectives and competencies covered by the module. The conceptual outline includes the objectives, competencies, and supplemental narrative related to each of the following units of study: purposes of financial planning; making a financial master plan; implementing the financial master plan; and handling financial problems. Two overview approaches (leader/lecture-oriented presentation and discussion-oriented leader activities) and an in-depth approach for presenting the units are outlined by providing the following information: section of module; type of activity; time required; preparation needed; and description of activity. Sources are listed for further reference, and an evaluation plan is described. Finally, eleven transparency masters are appended. (A related manual on financial counseling is also available, CE 016 110.) (BM)

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MAKING
AND USING
A FINANCIAL PLAN

A LEARNING MODULE

Developed by

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CE 016 111

U S DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
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CONSUMER EDUCATION AND FINANCIAL MANAGEMENT PROJECT

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*Dr. Ruth Harris was the Associate Director of the project from its inception until September 1, 1976 when she turned over her role to Dr. Anita Webb. Dr. Harris wrote the original proposal for the financial counseling manual.

Purpose of the Module

This series of Consumer Education Modules has been developed in an effort to educate individual adult consumers in what have been determined to be the most important general areas of consumer affairs education. Community leaders, extension personnel, educators, financial counselors, and people in business are encouraged to use these modules in conducting group sessions for adults interested in developing more competence in various areas of consumer education.

Each module is self-contained in that someone with no prior experience in teaching, coordinating, or directing learning can be successful in conducting a group consumer learning session.

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Introduction

Inflation, unemployment, bankruptcy--these problems are becoming real and present in the homes of many Americans. Although no one solution, if any, can be offered to remedy these problems, one thing that each individual family can do to help themselves is to make and use adequate financial plans and records. Financial planning involves a wide range of factors that all of us may not consider. We should know the several considerations needed in making a financial plan and the steps to follow in implementing this plan.

This module contains two suggested approaches to help you, as the leader, help others become more responsible consumers in the area of financial planning. Both an overview approach and an in-depth approach are presented for your use.

Contents of the Module

This module, entitled, "Making and Using a Financial Plan", contains the following components or areas of understanding:

I. THE PURPOSES OF FINANCIAL PLANNING
II. MAKING A FINANCIAL MASTER PLAN
III. IMPLEMENTING THE FINANCIAL MASTER PLAN
IV. HANDLING FINANCIAL PROBLEMS

Each component includes an overall objective, further specific objectives, competencies which, hopefully, the learner will have developed upon completion of the subpart, a conceptual outline with supplemental narrative containing the information to be covered, leader activities, and transparency masters (located in the Appendix) which can be used on an optional basis to implement the suggested activities. Much of this information is included for your benefit and will not be seen by the learners. You will want to read and examine the entire module carefully before presenting it to the learners. This will help you to understand the information in the module more fully, and will allow you to make some tenative choices about which activities to use in the learning situation.

Other features of the module are sources of further reference, an evaluation device, a form for you to return concerning your reactions to your use of this module, and an appendix.

Overview Approaches

There are two overview approaches included as suggested presentations for one session which covers all of the material in the module in a 50 minute time period. These could be used at dinner meetings or luncheons; as a program for a men's or women's club meeting; as a program for the elderly; or any other meeting of adults who might be interested in learning to improve their financial planning. The first of these presentations is a "Leader/Lecture-Oriented Presentation". In this overview, you as the leader would do all of the talking and explaining unless, of course, there are questions. The second of these presentations is a "Discussion-Oriented Pre-

sentation". In this overview, you as the leader would explain some of the information and then encourage the group to contribute by asking them questions, having them draw conclusions about a case study, and so forth. You should review both of these presentations thoroughly before deciding which overview approach you would feel more comfortable using or which would be more appropriate for your group of adults. It may be that you will present the overview to a group of adults whose interest in the area of financial planning will be increased by your presentation. If they express a desire to learn more about financial planning, the in-depth approach can then be used, with the same group, to cover any particular area of interest, or to cover all four components.

In-depth Approach

The in-depth approach is for presentations which cover all of the material in the module in two sessions of fifty minutes each. (Session #1 would cover I and II, Session #2 would cover III and IV.) The activities on the Leader Activities pages for this approach are more specific and cover the material in the conceptual outline and the supplemental narrative in more detail. The leader activities for each unit are suggestions. Those which are strongly "Recommended" and most vital to accomplishing the objectives are labeled, "R". Those activities which are "Suggested" and may be necessary for adding depth to the learning are labeled, "S". Those which are "Optional" and can be done if time permits, are labeled, "O".

You should select what you believe to be the most suitable activities for accomplishing each objective with your particular group of adults. This may depend upon the people in your group, the facilities and equipment available to you, the time you have to present the material, and the degree to which you feel comfortable using the various methods of presentation. Emphasize first, those activities labeled "R"; next, those labeled "S"; and finally, if time permits, and should you decide it would be beneficial, those labeled "O". It is not advisable to use activities out of sequence unless, of course, you have determined that your adults already possess some of the more important competencies.

Wherever an asterisk (*) appears there is a transparency master (located in the Appendix), which can be used for the particular activity. You may prefer to make and distribute handouts of the information, use a flip chart, write the information on a chalkboard, or use any other activity which will help to accomplish the stated objectives. Each activity is stated in such a way that you can use whatever method of presentation you are most comfortable with and whichever you feel will be most effective for your particular group of learners. Imagination and creativity in the method of presentation are encouraged.

Suggested Procedure for Use of Each Component of the Module

1. First of all, inform the group of the major and specific objectives for the unit. This can be done either by reading them to the group or by showing the component transparency. At this time, the first activity should begin. Activity Number One in each component is especially designed to serve as an oral pretest for the adults in your group. This is a unique

feature of these Consumer Education Modules. This activity consists of a list of questions which you can ask to begin the discussion, to introduce the unit, to stimulate thought, and very importantly, to determine to what degree the learners in your group already have an understanding of the information. If, after presenting the first two or three questions, you have succeeded in eliciting a favorable response from the group, you may wish to proceed immediately to stating the generalization. This method of transition to the second activity is an approach that will help you save time.

2. Proceed with the second leader activity which you have determined will be most feasible for your group, the setting, and the time available. After each activity, it is recommended that you ask if there are any questions or if anything is unclear. Once the first component is completed, the same procedure should be used for each successive subpart of the module until all are completed. You will notice that on page 69, there is a section which lists a variety of references. You as the leader can use these for additional background information on the topic. One or more of these references should be available in your local school, public, or college library. If not, you may wish to order several of these for your use.

3. Finally, after all of the units have been completed, some form of evaluation should be conducted. Since you are working with adults who are most likely in a volunteer situation, there is no formal posttest for them to complete. Ideally, they should have been evaluating themselves throughout the session(s) in terms of their individual objectives. Provided in the module is an evaluation device which can give you some indication as to what the learners actually did gain from the session(s) and how effective your methods of presentation were so that you may alter them, if necessary, or make note of those activities which seemed to be especially effective.

Suggestions for Working with Adults

Since you will be working with adults, it would be helpful to identify some ideas to keep in mind about adult learning situations. First, the learning setting should be both attractive and informal. This should be a somewhat different atmosphere than that of an actual classroom learning situation. The informality is especially important because the leader needs to establish and maintain a good rapport with with the adult learners, in addition to demonstrating respect for them as individuals. Second, by trying, to some extent, to determine the life style and spending patterns of those present, you can better assess the future educational needs of the group. This will help you identify the direction, scope, or concentration of your consumer affairs education presentations. Third, encourage the learners to self-evaluate their own private consumer behavior throughout the session(s). Suggest that they ask questions when things are unclear. Further, you might recommend that they contribute related ideas and experiences that "have worked for them" when they feel it is appropriate, so that the whole group might benefit from learning about these experiences. The learner's extent of knowledge and interest in the area to be examined should be the main criteria for you to use in determining exactly what and how much of the area will be learned. It is your job to see that the adult learner "gets what he wants" in the learning sessions. Remember to keep these ideas

in mind when working with adults; respect the learner at all times; try not to force your opinion on others; take breaks from time to time rather than meeting for a long, extended time span; and, help give them a feeling of worth.

An indication of your success may be your adults requesting a follow-up session on the topics covered. Our suggestion for this presentation is to moderate a session with one or more guest speakers. This might serve as a third indepth session or as a follow-up to one of the overview presentations.

We hope that the suggestions for using this module will be useful to you and that the purposes of the module will be achieved with your adults. In all of the modules, the major objective is to educate individual adults in consumer affairs education. We hope and trust that the modular approach used here will help you in this effort.

MAJOR AND SPECIFIC OBJECTIVES:

MAKING AND USING A FINANCIAL PLAN

I. THE PURPOSES OF FINANCIAL PLANNING

Major Objective: To cite the major purposes for and assumptions underlying the concept of financial planning.

Specific Objectives: To list ways in which financial planning can improve the over-all well being of families and individuals.

II. MAKING A FINANCIAL MASTER PLAN

Major Objective: To devise a financial master plan to chart out the financial objectives of a family or individual over a number of years.

Specific Objectives: To determine the net worth of a family or individual.

To list several types of resources available to a family.

To define what is meant by disposable income.

To list and cite examples of the three types of goals in financial planning.

To identify ways of determining expenditure patterns.

To distinguish between fixed and variable expenses.

To understand the importance of savings and of planning for an additional emergency fund.

III. IMPLEMENTING THE FINANCIAL MASTER PLAN

Major Objective: To visualize implementation of the financial master plan through the use of budgeting and periodic evaluations of the plan.

Specific Objectives: To recognize that budgeting is a short-term tool that helps the family achieve their financial objectives.

To list the steps involved in the budgeting process.

To devise a personalized budget for a family.

To understand the importance of closely evaluating the budget.

To note ways of adjusting the budget to better suit the family's needs and wants.

To list ways in which to evaluate and adjust the financial master plan.

MAJOR AND SPECIFIC OBJECTIVES:

MAKING AND USING A FINANCIAL PLAN
(Continued)

IV. HANDLING FINANCIAL PROBLEMS

Major Objective: To identify causes and ways to alleviate frequently occurring financial problems.

Specific Objectives:
- To identify several frequently occurring financial problems.
- To list typical causes of financial problems.
- To utilize several formulas for calculating when you are over-extended.
- To identify measures that can be taken to alleviate over-extension.
- To list sources of assistance and counseling for over-indebtedness.
- To examine bankruptcy procedures and their use in solving financial problems.

COMPETENCIES:

MAKING AND USING A FINANCIAL PLAN

I. THE PURPOSES OF FINANCIAL PLANNING

Competencies:
- State the main purpose of financial planning.
- List three ways in which financial planning improves the level of living of families and individuals.
- Cite three advantages to using goals as a basis for financial planning.
- Discuss ways in which financial planning can help one avoid and/or relieve a particular financial difficulty.

II. MAKING A FINANCIAL MASTER PLAN

Competencies:
- Determine the net worth of the learner's own family.
- Total all sources of income for the family and list other resources the family has available for use.
- Define the terms disposable income, fixed expenses, and variable expenses.
- Give examples of at least two types of fixed and variable expenses.
- Give an example of each of the three types of goals that may be included in the family's financial plans.
- Identify how a family can determine its expenditure patterns.
- Determine the amounts that the family should reserve for savings and for emergency funds.
- Develop a set of written records that the family can use in making and implementing their long-term financial plans.

III. IMPLEMENTING THE FINANCIAL MASTER PLAN

Competencies:
- Understand the role that budgeting plays as a short-term tool in accomplishing financial objectives.
- List the steps involved in the budgeting process.
- Examine sample budgets and devise a budget worksheet that fits the needs of the individual family.
- Cite examples of the types of categories that should be contained in the family budget.
- Practice accurate record keeping in budgeting.
- Realize the importance of evaluating the budget periodically.
- List examples of adjustments that a family might make in their budget to make it better suit their needs and wants.
- List factors involved in evaluating the total financial master plan.

COMPETENCIES:

MAKING AND USING A FINANCIAL PLAN
(Continued)

IV. HANDLING FINANCIAL PROBLEMS

Competencies:
- List several types of frequently occurring financial problems and cite possible causes for these problems.
- Demonstrate by using one or more formulas, how a family can determine if they are financially over-extended.
- Cite several adjustments a family can make to alleviate over-extension of debt.
- List three sources that can provide help in getting out of debt.
- Distinguish between the two types of bankruptcy that may be filed to relieve indebtedness.

CONCEPTUAL OUTLINES

(WITH OBJECTIVES AND SUPPLEMENTAL NARRATIVE)

I. THE PURPOSES OF FINANCIAL PLANNING

SECTION I: THE PURPOSES OF FINANCIAL PLANNING

MAJOR OBJECTIVE: To cite the major purposes for and assumptions underlying the concept of financial planning.

SPECIFIC OBJECTIVES: To list ways in which financial planning can improve the over-all well being of families and individuals.

To understand the importance of setting goals on which to base financial plans.

LEARNER COMPETENCIES: State the main purpose of financial planning.

List three ways in which financial planning improves the level of living of families and individuals.

Cite three advantages to using goals as a basis for financial planning.

Discuss ways in which financial planning can help one avoid and/or relieve a particular financial difficulty.

CONCEPTUAL OUTLINE

Reminder: This is a conceptual outline in which both the major and minor ideas are presented. The accompanying "Supplemental Narrative" further explains the concepts and gives an idea of how the material might be presented to an audience. For additional information on the topics, review one or more of the specific references noted on pages 69-71.

I. Purposes and Assumptions of Financial Planning

- A. The ability to accomplish financial objectives is <u>not</u> equal to the size of the income.
- B. Financial planning improves the level of living of families and individuals.
  1. Material goods
  2. Social status
  3. Psychological satisfactions
- C. Financial planning improves family relations when changes and improvements can be seen by the family members.
- D. Long-term and short-term goals usually can be achieved more satisfactorily through financial planning.
  1. Values must be clarified.
  2. Family must establish priorities depending on their stage in the family life cycle.
  3. Goals must be realistic.

4. Setting and working toward goals leads to better organization of family activities and utilization of resources.

E. Planning can help avoid a particular financial difficulty.
   1. Plan so that debts will not accumulate unnecessarily.
   2. Short-term goals may be postponed or shifted to long-term to avoid financial stresses.

F. Planning can help to relieve oneself of a particular financial difficulty.
   1. Helps you know when you are over-extended.
   2. Helps you identify ways in which to get out of debt.

SUPPLEMENTAL NARRATIVE

Why Use A Financial Plan?

Would you believe that a family with an annual income of $21,000 could not make ends meet? Regardless of the size of the income, many families do have this problem. In the case of the family just mentioned, the husband had been earning a good salary for several years, but part of the problem was that the family could not stop spending. Both he and his wife were equally careless. No plans were ever made for spending, for savings, or for future goals. Simply put, there were no plans at all. Since their indebtedness amounted to over $36,000 with assets amounting to only $4,500, this family ended up filing for bankruptcy. This illustrates that, rich or poor, all families have a need for some sort of financial planning.

The purpose of financial planning is not to increase the income, but to systematically determine the most effective way to spend the income that is expected to be earned by the family. It is for that reason we can make the assumption that the ability to accomplish financial objectives is not equal to the size of the family's income. A carefully made financial plan can utilize income to improve the family's level of living in many aspects. Let's list some of the ways in which financial planning can help families and individuals.

The most obvious reason for financial planning is to allow the family to improve their material level of living, to buy more and better goods and services. This in turn often improves the social status of the family in their neighborhood and among colleagues and peers. This is usually a consequence of achieving the goals the family has set for themselves, but to some families this status-seeking is a goal in itself. Along with improving one's image in the eyes of others, these material goods provide many hidden psychological satisfactions for the family members. This is a factor that cannot be overlooked in making the financial plan.

Money problems have been the reason for many divorces and suicides in the past. This is evidence of how important financial planning can be in maintaining smooth-sailing relationships within the family. Through

the use of a set, pre-determined financial plan, the family members can see the improvements and changes that are being made in the management of the household. Relieving pressures, providing a sense of sharing and togetherness, and maintaining fairness and equality among the family members in dealing with financial matters cannot help but improve family relations.

We have mentioned indirectly the importance of setting goals in financial planning. Many families have goals set, but do not plan financially to accomplish them. Both long-term and short-term goals can be achieved more satisfactorily through including these in a financial plan. Setting goals is very important for a family as it forces them to examine and clarify their values. They must decide what is important to them, what they will forego to attain this, and what values will take top priority in their lives. The priorities for the family will often depend on their stage in the family life cycle. The same basic goals, for example to purchase a second car, might take low priority with a young couple and first priority by a family with children in high school or may not even be considered by a retired couple. What ever the case may be, setting and working toward these goals leads to better organization of family activities and requires the family to devise ways in which to use the available resources in order to best attain the desired goals.

Throughout this process of clarifying values, setting goals, and incorporating these goals into the financial plan, it is very important for the family to be realistic in what they actually expect to accomplish. Unrealistic goals will only disappoint and frustrate the family in their efforts.

Another purpose of financial planning is to help the family avoid financial difficulties. With a written plan, the family can allocate their income to see exactly where the money needs to be spent. So, it is less likely that large debts will accumulate unnecessarily. Through the use of stated goals, the family can look at their objectives and decide which ones might be postponed for a while in order to avoid over-indebtedness. For families who are already having financial difficulty, a written plan can help them to see where they are over-extended in their credit usage and help them identify ways that they can cut down on spending to reduce debts.

II. MAKING A FINANCIAL MASTER PLAN

SECTION II: MAKING A FINANCIAL MASTER PLAN

MAJOR OBJECTIVE: To devise a financial master plan to chart out the financial objectives of a family or individual over a number of years.

SPECIFIC OBJECTIVES:
- To determine the net worth of a family or individual.
- To list several types of resources available to a family.
- To define what is meant by disposable income.
- To list and cite examples of the three types of goals in financial planning.
- To identify ways of determining expenditure patterns.
- To distinguish between fixed and variable expenses.
- To understand the importance of savings and of planning for an additional emergency fund.

LEARNER COMPETENCIES:
- Determine the net worth of the learner's own family.
- Total all sources of income for the family and list other resources the family has available for use.
- Define the terms disposable income, fixed expenses, and variable expenses.
- Give examples of at least two types of fixed and variable expenses.
- Give an example of each of the three types of goals that may be included in the family's financial plans.
- Identify how a family can determine its expenditure patterns.
- Determine the amounts that the family should reserve for savings and for emergency funds.
- Develop a set of written records that the family can use in making and implementing their long-term financial plans.

CONCEPTUAL OUTLINE

Reminder: This is a conceptual outline in which both the major and minor ideas are presented. The accompanying "Supplemental Narrative" further explains the concepts and gives an idea of how the material might be presented to an audience. For additional information on the topic, review one or more of the specific references noted on pages 69-71.

II. Making a Financial Master Plan

A. Determining family resources
1. Current net worth
a. Liabilities are subtracted from assets.
1) liabilities (the amount that you owe)
2) assets (the current value of everything you own plus cash, savings, and other monetary capital on hand)
b. The difference between these two amounts is what the family is "worth" monetarily (that which could be converted to money after all debts are paid).
2. Estimating projected income
a. Wages and salaries
b. Social security benefits
c. Welfare payments
d. Food stamps
e. Pensions
f. Other income (investment dividends, interest from savings, tax refunds, gifts and bonuses)
3. Determining net or disposable income
a. Subtract federal and state income taxes.
b. Subtract Social Security tax payments.
c. Subtract retirement fund contributions.
d. Subtract life and medical insurance, credit unions, and other deductions.
e. Remainder is what the family actually has to spend.
4. Other resources
a. Household production
b. Special talents, skills, and knowledge of family members
c. Free resources such as library, parks, community recreation programs

B. Projecting expenses
1. Realize that some expenses are fixed and others are variable.
2. Determine goals.
a. Long-term goals (5 or more years)
1) Education of children
2) Savings for retirement
3) Debt-free home
4) Others
b. Intermediate goals (3 to 5-years)
1) Buying automobile
2) Down payment on home
3) Purchase major appliance
4) Others
c. Short-term goals for current year
1) Meeting fixed expenses
2) Reducing debts
3) Vacation
4) Recreation or special recreation equipment
5) Others
3. Determine previous spending patterns.

a. Refer to previous records.
   1) Old check stubs
   2) Past bills
   3) Other records you may have kept
b. If records are unavailable, keep an accurate record of expenditures for one or two months to use as a guide.

C. Devise a written long-term plan.
1. Plan for a time span that suits your own family's needs, such as
   a. Plan from the present to retirement.
   b. Plan from the present to the completion of the children's education.
2. Decide how much money will be saved and other resources allocated to meet long-term and intermediate goals.
3. Plan for an additional emergency fund so that the savings account will remain intact.
4. Estimate fixed and variable expenses for each year of the long-term plan.
   a. Large irregular (revolving) expenses (come due at a certain time and must be saved for)
      1) Insurance
      2) Taxes such as federal income tax, local property tax
      3) Tuition
      4) Other
   b. Monthly fixed expenses
      1) Rent
      2) Installment payments
      3) Other
5. Devise a personalized family budget to manage monthly one's total financial plans.
6. Make necessary adjustments in the budget to achieve long-term and short-term goals.

SUPPLEMENTAL NARRATIVE

In devising the actual long-term, what we will call "master", financial plan, the first consideration is to assess what resources are available to the family. Then, the expenses for the period of time being planned for must be estimated. After a careful look at these factors, the family can begin to write out their financial plans on paper and soon arrive at a well-organized long-term plan.

Determining Family Resources

The resources available for the family to utilize in planning for improving their level of living may be of a wide variety. However, the first resource most of us think of is the monetary value of the family. In order for a family to assess its financial status in terms of monetary worth, the "net worth" must be figured. Net worth means the difference left when the family's liabilities are subtracted from its assets. It is

a balance, just as in a checkbook, and can be figured easily by using a balance sheet or financial statement such as the one in figure 1 below. The assets, the current values of everything you own (car, house, antiques, etc.), plus cash, savings, and other monetary capital on hand, are listed separately and totaled at the top. The bottom list totals liabilities, amounts that you owe (installment debts, mortgages, etc.). When the two totals are subtracted, the remaining figure is the net worth. What does this mean to a family? It tells them what they are "worth" at the present, and that which could be converted to money after all debts were paid. This gives a place to start in making a long-term financial plan and allows comparison of progress from year-to-year.

Figure 1

BALANCE SHEET OR FINANCIAL STATEMENT

	Beginning of the year 19 ____	End of the year 19 ____
ASSETS		
Money in savings accounts	$_____	$_____
Cash on hand and checking account balance	$_____	$_____
Cash value of:		
Home and other real estate	$_____	$_____
Automobile and other vehicles	$_____	$_____
Household equipment and furnishings	$_____	$_____
Insurance (cash value of policy)	$_____	$_____
Bonds, stocks and other investments	$_____	$_____
Annuity or Retirement Plan (cash value)	$_____	$_____
Money owed you	$_____	$_____
Other_____	$_____	$_____
_____	$_____	$_____
_____	$_____	$_____
Total Assets	$_____	$_____
LIABILITIES		
Mortgage	$_____	$_____
Debts owed (installment and single payment loans)	$_____	$_____
_____	$_____	$_____
_____	$_____	$_____
_____	$_____	$_____
Total Liabilities	$_____	$_____
NET WORTH		
Total owned minus total owed	$_____	$_____

Income. Another major family resource to determine is the actual income the family will likely receive during the projected planning period. This income may be in the form of wages and salaries or it may be from Social Security benefits, pensions, welfare payments, and the value of food stamps. Other possible sources of income might be investment dividends, interest from savings, tax refunds, gifts and bonuses. In financial planning it is important to distinguish between gross income and disposable income. Gross income is the salary you earn in addition to a variety of other sources of income. Disposable income also called net income, is the amount left over after federal and state income taxes, social security tax payments, retirement fund contributions, insurance, credit union, and other such deductions have been taken out of the salary or other source of income. This is the amount that the family actually has to spend.

In estimating the family's income for a particular year, it is generally a good idea to list the sources and estimated amounts of income on a chart such as the one shown in figure 2. This will allow you to visualize clearly the income you have to work with and where it is coming from.

Figure 2

DETERMINING DISPOSABLE INCOME

1. DETERMINING GROSS INCOME

	Last Year's Income (to help as a Guide)	Income Expected This Year
Salary, Wage or Commission		
Other Salary, Wage or Commission		
Interest		
Tax Refunds		
Gifts		
Pensions		
Social Security		
Annuity		
Bonuses		
Rents		
Dividends		
Special Fees		
Welfare Payments		
Food Stamps		
Other Income _____		
_____		
_____		
2. TOTAL GROSS INCOME		

Figure 2 (Cont'd)

3. DISPOSABLE INCOME (RECORD THESE DEDUCTIONS ON A MONTHLY BASIS)

FEDERAL INCOME TAXES DEDUCTED	_____
STATE INCOME TAXES DEDUCTED	_____
SOCIAL SECURITY TAXES	_____
HEALTH INSURANCE	_____
LIFE INSURANCE	_____
ACCIDENT INSURANCE	_____
DISABILITY INSURANCE	_____
RETIREMENT FUND CONTRIBUTIONS	_____
UNION DUES	_____
COMPANY SAVINGS PLANS	_____
CREDIT UNION SAVINGS	_____
OTHER DEDUCTIONS _____	_____
_____	

4. TOTAL DEDUCTIONS (MONTHLY) _____

5. TOTAL DEDUCTIONS ON AN ANNUAL BASIS (MULTIPLY THE TOTAL OF DEDUCTIONS IN NUMBER FOUR BY 12) _____

6. TOTAL ANNUAL DISPOSABLE INCOME (SUBTRACT TOTAL OF THESE DEDUCTIONS IN NUMBER FIVE FROM TOTAL GROSS INCOME IN NUMBER 2) _____

7. TOTAL MONTHLY DISPOSABLE INCOME (DIVIDE ANNUAL TOTAL IN NUMBER SIX BY 12) _____

Other Resources. Other non-monetary family resources often are taken for granted or not used to their full advantage. The production that goes on within the household is an invaluable resource and greatly determines how effective the other monetary resources are used. The special talents, skills, and knowledge of family members can be utilized to make this household production more efficient, as well as provide entertainment, pride, and psychological satisfaction to the family at minimum cost. An example of this would be the ability to raise a garden and perserve your own fruits and vegetables. Another example is the talent of a family member in arts and crafts which provides recreation and also allows him to make or renovate items for the home. Other "bargain" resources are offered to the family by the community. Free libraries, parks, and museums offer education and entertainment, and community recreation programs and organizations offer opportunity for leisure activity as well as for self-improvement. These human resources must not be overlooked in the financial plan, even though you cannot assign them a monetary value. The difference will show up in your savings and enjoyment.

Projecting Expenses

Perhaps the most difficult part of making a financial plan is to determine as accurately as possible approximately how much the family will spend during a month and then during a year. To begin, expenses must be distinguished as fixed or variable. Fixed expenses are those of fixed amounts, occuring on a regular basis. Examples of these are rent and auto loan payments. Variable expenses are those whose amounts vary and can be controlled. Food and clothing are good examples of variable expenses. But before any of these expenses can be estimated, the family must first list the goals they hope to accomplish in their spending.

Goals. In listing financial goals the family can categorize their goals as long-term, intermediate, or short-term. Long-term goals are those things which the family hopes to accomplish sometime after the next five years. These goals might include paying off the mortgage on the house, accumulating savings to provide education for children, or savings to sustain the couple or individual during retirement years. The goals hoped to be accomplished within the next three to five years are intermediate goals. Buying a new automobile or major appliance, or saving enough money to make a down payment on a home might be intermediate goals of the family. Those immediate wants and needs of the family for the current year, such as reducing present debts, going on a vacation, purchasing special recreational equipment such as a boat or bicycles, or merely desiring to meet the fixed expenses each month are classified as short-term goals.

After the goals have been listed in the proper categories, the amounts needed for each can be estimated. These estimates must be divided into yearly or monthly savings amounts in order to be of value in projecting planned expenses. The list of goals serves a specific purpose here and can be looked back to time and again as the financial plan is implemented.

Determining Spending Patterns. The list of goals explained above gives the family some idea of the spending and saving they hope will take place in the future. But, how can the family estimate the other day to day or month to month expenses that must be covered. One good way to do this is to refer to previous records on hand. Old bills, receipts, check stubs, etc. allow the family to see what it has spent for various purposes in the past. Correcting these figures for the rising cost of living gives a general estimate of future costs.

Many families fail to maintain the records mentioned so they have no means, other than guessing, to estimate their expenditures. These families would be wise to have each family member keep an accurate record of all money spent for a period of time, such as two weeks or two months. A two-month record would probably show the most typical spending pattern. This recordkeeping, combined with referral to past records would give the best picture of the family's spending patterns.

Making A Written Long-Term Plan

Now that net worth, income, and expenses have been determined and projected, the family must sit down and write out their financial plans. The length of time that this master plan will cover is totally up to the individual family. A young family with children might want to lay out their plans to cover from the present until the children have completed their formal education. Another family might want their plan to take them to retirement. It is important for the family to consider their own needs and stage in the life cycle before they designate the length of the plan they are making.

Savings. The most important item in attaining financial goals is savings. Far too many families plan to save only whatever is left over after expenses are covered, rather than have a plan for savings. In the end, there is usually nothing left to save. Thus, they either go into debt to accomplish their financial goals or do not accomplish them at all. A set amount of planned savings should be determined and subtracted from the disposable income before any of the income is allocated for expenses. Using a form such as the example shown in figure 3 might be valuable to families in determining their personal plan for savings.

In this case, the Andersons, a family of 5, has as its goals for the year to purchase a new refrigerator at approximately $600 and also to have $1,000 for a vacation planned for the next summer. These are totaled and listed as specific wants. They have $500 on hand that was left over from the amount they had saved for last year's vacation. This is subtracted from the total goal to arrive at the actual savings amount that they must include in their budget. They also would like to give each of their three children a $25 savings bond on their birthdays. Purchased at $18.75 each, this amounts to $56.25. Since they do not have any funds to carry over for this purchase, they must budget for the entire $56.25. Other savings the Andersons might plan, such as a college education fund for the children, would be entered into the other column in the same fashion. When the monthly budget is planned these amounts are divided by twelve (for 12 months) and included in with other expenditures budgeted for. Thus the family has a greatly increased opportunity of actually achieving these goals than they would otherwise have without planning.

Figure 3
SAVINGS PLAN, 19 __

	Specific Wants	Emergencies	Security	Other (specify)
Goals for Year End	$1,600	$2,000	$56.25	
Less: Now On Hand	$ 500	$ 1,400	$ .00	
Budget for Year	$1,100	$ 600	$56.25	

When many families are asked what they are saving for the answer is often "a rainy day". This certainly has its merit, but if the family is trying to achieve certain goals, this type of savings should be designated as a special emergency fund. This emergency fund must be budgeted for separately from the savings that is being planned to accomplish other goals. Again, the amount depends on the individual family's situation. One suggestion is that an amount equal to two months of the "breadwinner's" salary should be kept on reserve for an emergency fund. In the case of the Andersons, this is approximately $2,000. This amount would certainly vary according to family size, stage in the family cycle, and the amount and types of insurance and other benefits the family has. This type of savings should be listed on the savings plan too. Unless the emergency fund is used up completely, there will usually be an amount carried over from the next year that will merely need to be added to in order to maintain the fund.

Expenses. We have already distinguished between fixed and variable expenses. In making out the written long-term plan, the family must estimate the approximate yearly total of these. One type of expense that is easier to view at the yearly level is those large irregular or revolving expenses. Examples of these are insurance payments, tuition, and taxes, all of which come due at a certain time of the year rather than monthly. It is important to plan and save for these on a monthly basis or the funds will not be available when needed. Shown in figure 4 is an aide to help families plan for meeting these expenses. These will be included in the monthly budget of the family along with the regular fixed and variable expenses.

Using the Plan. When a financial picture for one year is obtained, the next logical step is to break the plan down into monthly budgeting periods. Then the plan becomes usable. The budgeting process will be described next.

When you start using your plan you will no doubt see that some adjustments need to be made to realistically meet the goals you have set or that the goals must simply be postponed in order to meet other expenses adequately. Remember that even though your plan has been written, it still must be flexible. Make necessary adjustments to achieve short-term and long-term goals.

Figure 4

RESERVE FUND WORKSHEET

FOR LARGE IRREGULAR OR REVOLVING EXPENSES

(an example)

YEAR 19 77 MONTH DATE	AMOUNT NEEDED TO COVER LARGE EXPENSES	DEPOSIT IN RESERVE SAVINGS FUND	PAID FROM RESERVE SAVINGS FUND	RESERVE SAVINGS FUND BALANCE
(DESCRIBE EXPENSE ITEM:)				$600
JANUARY *Auto Insurance*	$250	125	250	475
FEBRUARY		125		600
MARCH		125		725
APRIL *Federal Income Tax*	400	125	400	450
MAY		125		575
JUNE		125		700
JULY *Auto Insurance*	250	125	250	575
AUGUST		125		700
SEPTEMBER *Tuition*	600	125	600	225
OCTOBER		125		350
NOVEMBER		125		475
DECEMBER		125		600
TOTAL	1,500	1,500	1,500	

TOTAL LARGE IRREGULAR EXPENSES: $ 1,500 DIVIDED BY 12 = $ 125
WHICH IS THE AMOUNT TO BE DEPOSITED IN RESERVE FUND EACH MONTH.

*SHOULD EQUAL BALANCE AT BEGINNING.

III. IMPLEMENTING THE FINANCIAL MASTER PLAN

SECTION III: IMPLEMENTING THE FINANCIAL MASTER PLAN

MAJOR OBJECTIVE: To visualize implementation of the financial master plan through the use of budgeting and periodic evaluations of the plan.

SPECIFIC OBJECTIVES:

To recognize that budgeting is a short-term tool that helps the family achieve their financial objectives.

To list the steps involved in the budgeting process.

To devise a personalized budget for a family.

To understand the importance of closely evaluating the budget.

To note ways of adjusting the budget to better suit the family's needs and wants.

To list ways in which to evaluate and adjust the financial master plan.

LEARNER COMPETENCIES:

Understand the role that budgeting plays as a short-term tool in accomplishing financial objectives.

List the steps involved in the budgeting process.

Examine sample budgets and devise a budget worksheet that fits the needs of the individual family.

Cite examples of the types of categories that should be contained in the family budget.

Practice accurate record keeping in budgeting.

Realize the importance of evaluating the budget periodically.

List examples of adjustments that a family might make in their budget to make it better suit their needs and wants.

List factors involved in evaluating the total financial master plan.

CONCEPTUAL OUTLINE

Reminder: This is a conceptual outline in which both the major and minor ideas are presented. The accompanying "Supplemental Narrative" further explains the concepts and gives an idea of how the material might be presented to an audience. For additional information on the topic, review one or more of the specific references noted on pages 69-71.

III. Implementing the Financial Master Plan

A. Use budgeting as a short-term tool.
   1. Note that the budget is only one segment of the total financial plan, allowing monthly planning within one year of the total plan.
   2. Budget should be a joint effort of the family.
   3. Budget should provide each member of the household with a personal allowance.
   4. Consult sample budgets as guides for devising one to suit the individual needs of your family.
   5. Records should be kept simple.

B. Setting up your own personalized family budget
   1. Re-examine short and long-term financial goals and determine what or which one(s) you want to achieve in this budgeting period (one month to one year).
   2. Estimate disposable income.
   3. Categorize expenses.
      a. Fixed
      b. Discretionary or variable
         1) Regular (food, transportation, etc.)
         2) Occasional (clothing, medical, entertainment, etc.)
   4. Estimate amounts for each category, being certain that the total of the amounts does not exceed the total disposable income.
      a. Amounts for regular monthly fixed expenses will be set.
      b. Divide irregular (revolving) fixed expenses (insurance, tuition, etc.) to determine the amount that must be saved each month to cover these when they come due.
      c. Use past records to help estimate amounts needed for variable expense categories.
   5. Devise a worksheet for the budget.
      a. Consult sample worksheets of budgets for other families.
      b. Make the worksheet fit your own family's situation and lifestyle.
   6. Accurately record expenditures for each month.
   7. Evaluate the budget periodically.
      a. Note where plan did not fit.
      b. Note where practices can be changed to maintain the budget.
      c. As spending patterns change, categories may need to be added or deleted and the amounts reallocated.

C. Evaluate the financial master plan.
   1. Redetermine net worth annually.
   2. View the plan in terms of each budgeting period to make sure needs and goals are being met.
   3. Reassess goals to determine if goals are realistic and if the overall plan is still adequate.
   4. Make adjustments where necessary.

SUPPLEMENTAL NARRATIVE

Now that written guidelines have been drawn for long-term financial planning, the family must turn to the task of implementing their plans on a weekly or monthly basis. Keeping a close enough check on finances in order to achieve long-term objectives can only be done effectively through planned budgeting of each month's expenditures. Reviewing each of these budgeting periods in terms of how they are working in with the total master plan assures the family that their planning, spending, and saving are going in the right directions for them.

Budgeting

It has become apparent in our discussion that budgeting is not financial planning in itself. This is a misconception that many people have and therefore their financial plans are not as future-oriented as they should be. It is important to remember that budgeting is a vital short-term tool to be used in implementing total financial plans. We should also remember that the planning of a budget should be a joint family effort, as it effects each member of the family. For that reason, it is a good idea for each member of the household to be given a personal allowance so that he or she is totally responsible for maintaining at least one small part of the budget. Before just sitting down and selecting a rigid form that will be used for the budget, there are many factors the family must give consideration. A budget will not work unless it has been planned to fit around the family's basic lifestyle, values, and objectives. The budget must be "personalized for that particular family. How do they go about doing this?

The Budgeting Process. In setting up the personalized family budget, there are seven basic steps that can be identified: (1) Determine what goals you want to achieve in the budgeting period. (2) Estimate the disposable income that will be available for the family's use during the budgeting period. (3) Categorize the types of expenses the family will normally encounter during the budgeting period. (4) Estimate the approximate amounts the family will spend in each of these categories being certain that the total of the amounts does not exceed the total disposable income. (5) Devise a worksheet for the budget that suits the family's individual needs. (6) Accurately record the actual expenditures onto the worksheet. (7) Evaluate the budget periodically.

These steps seem clear-cut, but there are certain reminders and aids that can help. We need to consider each step in greater detail.

Goals. Earlier in our discussion we mentioned that goals can be classified as either long-term, intermediate, or short-term. Long-term and intermediate goals appear in the family budget under savings since achievement of those goals will likely occur through savings. Short-term goals might also be covered in the savings category of the budget, or they might be listed in a specific category if they are to be a current expenditure during a particular budgeting period. If the family has listed several short-term goals, they will need to determine when each of these need to be accomplished so they will know exactly what current goals need to be included in each month's budget. It is only logical that these financial goals be looked at first in the budgeting process, as their accomplishment is the purpose of financial planning. Setting priorities on spending is essential to the entire organization of the budget, otherwise the budget will not fit into the total financial plan.

Income. One important purpose in setting up a budget is to help the family live within a certain income. Before considering the expenses, the family must take time to estimate very carefully the amount of income that is available for their use. Earlier, in Section II, a detailed discussion of estimating disposable income is provided. For the monthly budget, a similar record of income should be made for each month. This is a definite prerequisite to making out the actual expense budget.

Expenses. Steps three, four, and five of the budgeting process deal with expenses. A logical step in estimating expenses is to list the major categories underwhich the family's expenses fall. The two basic subdivisions in the budget would be fixed expenses and discretionary or variable expenses. We discussed in Section II that fixed expenses will be either regular, such as rent and installment payments, or irregular, such as insurance, tuition and taxes. List these expenses first since that income is already committed. Be sure to include in the budget each month the amount that you will need to save to meet those large irregular fixed expenses when they do come due.

Variable expenses are also of two types. Regular variable expenses include food, transportation, etc. These occur regularly, but they are variable as the amount you spend for them can be controlled to a certain extent. The other type of variable expenses are occassional variable expenses. These expenses include clothing, entertainment, furnishings, medical costs, and many others. These expenses do not occur on a regular basis and might also include funds planned for vacations, Christmas gifts, and large purchases of clothing for back-to-school needs. The amounts spent in many of these categories might be drastically cut or eliminated entirely depending on the family's situation.

Categorizing expenses may be easy for the family, but the difficult part of budgeting comes when they attempt to estimate how much they will want to spend in each of these categories. The fixed expenses are set, so

that part is already done for you. But, how will you estimate the amount your family spends or should spend on food, on entertainment? We have already noted that the best way to do this is to refer to previous records, check stubs, and bills, and to keep an accurate record of all money spent for a certain period of time. This should give you a fairly good estimate of what you will likely spend during this budgeting period. One point to remember is that what you have spent for certain items in the past is not necessarily a good indication of what you should be spending, but only a guideline for setting up the initial budget.

The Budget Worksheet. The most important thing to remember in devising a budget worksheet is that it should be made to suit the needs of that particular family. The number and types of categories will vary with the family's lifestyle. The format that is most convenient for record-keeping will also vary with personal preference and need. It is highly unlikely that any two families will devise exactly the same worksheet. Textbooks and other publications provide many variations of forms for budgeting. Separate budgeting forms, often called family financial records, are available at stationary, office supply, and department stores. These are often quite complicated and require you to be somewhat of an "accountant" to make the proper entries. All of these devices are helpful, but it is our recommendation that they be used only as guidelines for setting up your own records. Although budgeting takes time and careful planning, it should be convenient and helpful rather than a dreaded task. Devising the worksheet that best suits your own income, spending patterns, and time schedule is the key to easy budgeting.

Note that we have been considering the budget on a monthly basis. Families that are in serious financial trouble or for some reason need more detailed records of spending may plan the budget on a weekly basis. The example of a monthly budget provided in Figure 5 is what we consider to be a simple worksheet with a fairly comprehensive list of expenditures encountered by the average family. Again, we caution trying to fit your own individualized budget into a rigid form. The figures entered into this budget are hypothetical and based on the average for a family of four persons in 1976. Prices and incomes change so rapidly that these figures are of little values other than as an example. They are by no means an indication of what you should be spending. Similar figures for the current year can be found by consulting the Consumer Expenditure Survey published by the U.S. Bureau of Labor Statistics and/or other sources. A blank copy of this worksheet is provided in the Appendix.

Evaluating the Budget. The hypothetical family in Figure 5 has balanced their income with their planned budget and accurately recorded the actual amounts spent in each category. The final step of evaluating the budget remains. The last column on the budget worksheet is to record the difference between the planned spending and the actual spending. This shows the family where they have underestimated and overestimated themselves.

Figure 5

MONTHLY BUDGET WORKSHEET

MONTH March 19 77

DISPOSABLE INCOME $1,305

FIXED EXPENSES	PLANNED	ACTUAL	(+) OR (-)
TAXES			
REAL ESTATE	$ 41	$ 41	$ 0
PERSONAL PROPERTY	3	3	0
FEDERAL INCOME TAX	164	164	0
STATE INCOME TAX	47	47	0
MORTGAGE OR RENT	$ 170	$ 170	$ 0
FIXED UTILITY PAYMENTS			
WATER	$ 14	$ 14	$ 0
TV CABLE	7	7	0
OTHER	—	—	0
INSURANCE			
LIFE	$ salary deduct.	$ salary deduct.	$ 0
MEDICAL	"	"	0
AUTO	$ 25	$ 25	0
OTHER PROPERTY	7	7	0
INSTALLMENT PAYMENTS			
auto	$ 110	$ 110	$ 0
furniture	26	26	0
NOTES PAYABLE	$ —	$ —	$ 0
LICENSES, FEES, AND DUES	$ 9	$ 9	$ 0
TUITION	$ —	$ —	$ 0
PLANNED SAVINGS	$ 125	$ 125	$ 0
EMERGENCY FUND	$ 100	$ 100	$ 0
FIXED EXPENSE TOTAL	$ 657	$ 657	$ 0
VARIABLE EXPENSES			
FOOD			
MEALS AT HOME	$ 180	$ 192	$ +12
MEALS OUT	30	15	- 15
ENTERTAINING	—	—	—
ALCOHOL AND TOBACCO	30	28	+ 2
HOUSING			
FURNISHINGS & EQUIPMENT	$ 15	$ 0	$ +15
HOUSEKEEPING SUPPLIES	18	18	0
MAINTAINENCE & REPAIRS	7	15	- 8
VARIABLE UTILITY EXPENSE			
ELECTRIC	$ 20	$ 24	$ - 4
TELEPHONE	18	14	+ 4
FUEL	35	28	+ 7
OTHER	—	—	—
CLOTHING			
PURCHASE	$ 45	$ 60	$ -15
DRY CLEANING & LAUNDRY	7	4	+ 3
ALTERATIONS	—	—	—
TRANSPORTATION			
GASOLINE AND OIL	$ 60	$ 72	$ -12
REPAIRS	25	15	+ 10
TIRES	—	—	—
PUBLIC TRANSPORTATION	$ 18	$ 18	$ 0

Figure 5 (Cont'd)

	Planned	Actual	(+) or (-)
Month _____ 19			
Medical Care			
Doctor Bills	$ 20	$ 26	$ -6
Medicines	$ 8	$ 8	$ 0
Dental Care	$ —	$ —	$ —
Personal Care			
Cosmetics	$ 4	$ 6	$ -2
Barber and Hairdresser	$ 10	$ 10	$ 0
Other	$ —	$ —	$ —
Recreation			
Vacation and Trips	$ in savings	$ —	$ —
Recreational Equipment	$ —	$ —	$ —
Entertainment	$ 35	$ 42	$ -7
Education			
School Supplies	$ 5	$ 3	$ +2
Books & Reading Materials	$ 8	$ 8	$ 0
Gifts and Contributions	$ 15	$ 12	$ +2
Personal Allowances	$ 30	$ 30	$ 0
VARIABLE EXPENSE TOTAL	$ 635	$ 642	$ 7
FIXED EXPENSE TOTAL (FROM PREVIOUS PAGE)	$ 657	$ 657	$ 0
TOTAL	$ 1,292	$ 1,299	$ 7

They may find that the budget still balances but the amounts in the individual categories need to be reallocated in order to better fit their lifestyle. Other possibilities might be that they may find that a new category for spending must be added to the worksheet or that some of the categories can be deleted. A look at the budget results may also indicate that the family is overspending in one particular item or that they are overspending in general. If this is the case, they may need to either change some of their habits or seek sources of additional income.

Evaluation of the Total Financial Plan

We have explained above some of the considerations given in evaluating the monthly budget. A similar evaluation of the total financial plan should be made annually. Begin this annual evaluation at the same point you started planning-- net worth. Refer to Section II for the procedure to follow and re-determine the family's net worth. This new figure can be compared to last year's to give a general idea of whether the financial plan has been successful in increasing the monetary resources of the family. Notice where the changes in assets and liabilities have occured. Is your savings larger this year? Have debts been decreased? Questions such as these will allow you to see in what direction your financial planning is going.

Next, look at the overall plan in terms of each monthly budgeting period during that year. Figure 6 provides a form to transfer the planned

and actual spending for each month onto a year-long chart. The family should enter subtotals for each major expenditure category into the appropriate space on the yearly budget worksheet. At the end of the year this record should be viewed in terms of the family's goals. With this total picture you can best see where the family's needs and goals are not being met and make notations of adjustments that should be made in future planning.

During this process of noting if the family's goals have been met, it is important for the family to reassess their goals. If the goals have not been successfully acheived, maybe they were unrealistic to begin with. It is also possible that some values or aspects of the family's life-style have changed in the course of the year, making certain goals no longer important to the family. New goals may need to be listed in order for the overall plan to remain adequate.

Throughout our discussion of financial planning we have emphasized that everything must be planned to suit the individual family. By the same token, the ways in which the family will choose to adjust their plans will also be very individualistic. Cutting back on spending, shifting goals, utilizing more human resources, and other measures all depend upon the lifestyle of the individual family and the efforts they are willing to make. Thus, financial planning requires you to better know yourself and your family. It demands analysis and awareness.

Figure 6

Annual Budget Worksheet for Year 19 ___

FIXED EXPENSES:	January Planned	January Actual	February Planned	February Actual	March Planned	March Actual	April Planned	April Actual	May Planned	May Actual	June Planned	June Actual	July Planned	July Actual	August Planned	August Actual	September Planned	September Actual	October Planned	October Actual	November Planned	November Actual	December Planned	December Actual
Taxes																								
Mortgage or Rent																								
Fixed Utility Payments																								
Insurance																								
Installment Payments																								
Notes Payable																								
Licenses, Fees, and Dues																								
Tuition																								
Planned Savings																								
Emergency Fund																								
VARIABLE EXPENSES:																								
Food																								
Housing																								
Clothing																								
Transportation																								
Medical Care																								
Dental Care																								
Personal Care																								
Recreation																								
Education																								
Gifts and Contributions																								
Personal Allowances																								

IV. HANDLING FINANCIAL PROBLEMS

SECTION IV: HANDLING FINANCIAL PROBLEMS

MAJOR OBJECTIVE: To identify causes and ways to alleviate frequently occurring financial problems.

SPECIFIC OBJECTIVES:

To identify several frequently occurring financial problems.

To list typical causes of financial problems.

To utilize several formulas for calculating when you are over-extended.

To identify measures that can be taken to alleviate over-extension.

To list sources of assistance and counseling for over-indebtedness.

To examine bankruptcy procedures and their use in solving financial problems.

LEARNER COMPETENCIES:

List several types of frequently occurring financial problems and cite possible causes for these problems.

Demonstrate by using one or more formulas, how a family can determine if they are financially over-extended.

Cite several adjustments a family can make to alleviate over-extension of debt.

List three sources that can provide help in getting out of debt.

Distinguish between the two types of bankruptcy that may be filed to relieve indebtedness.

CONCEPTUAL OUTLINE

Reminder: This is a conceptual outline in which both the major and minor ideas are presented. The accompanying "Supplemental Narrative" further explains the concepts and gives an idea of how the material might be presented to an audience. For additional information on the topic, review one or more of the specific references noted on pages 69-71.

IV. Handling Financial Problems

A. Frequently occurring financial problems
   1. Loss of income
   2. Over-extension of income
   3. Inability to obtain credit
   4. Loss of credit
   5. Use of savings for current expenses

B. Typical causes of financial problems
   1. Inflation
   2. Unemployment or employment instability
   3. Mismanagement of money
   4. Misuse of credit
   5. Overuse of credit cards
   6. Extensive use of impulse buying
   7. Emergency medical expenses
   8. Large irregular expenses
   9. Other unexpected expenses

C. Knowing when you are over-extended
   1. Formulas for determining over-extension
      a. The "20% rule"
      b. Percentage of income method
      c. "Rule of Thumb" approach
      d. Bymers' method

D. Knowing how to get out of debt
   1. Budgeting for alleviating over-extension
      a. Reduce expenditures in specific categories
      b. Tighter control of discretionary spending
   2. Call creditors
   3. See bank, credit union, or consumer finance company
   4. Credit or debt counseling
      a. Credit Counseling Centers, Inc. accredited member
      b. Family service agency
      c. Other financial counseling services
      d. See Legal Aid Society
   5. Bankruptcy
      a. Chapter XI of Federal Bankruptcy Act
      b. Chapter XIII of Federal Bankruptcy Act

SUPPLEMENTAL NARRATIVE

Although financial planning should be looked at as a preventive measure, many people begin to consider budgeting or any form of planning only after they are already in serious financial trouble. Financial planning can serve as part of the remedy, but before any permanent solution can be found, the specific problem(s) and cause(s) must be identified. Once known, one can seek out the proper assistance.

Financial Problems and Their Causes

Financial problems are of a wide variety but center on or result in either the loss of income or the over-extension of income. Many financial problems come from mismanagement of money and credit, but there are other outside causes as well. We should examine these problems and causes in greater detail.

Loss of Income. Loss of income is a financial problem that sometimes happens to families by no fault of their own. Unemployment, resulting from illness, disability, change in economic conditions, seasonal work, and other reasons is the most common cause of loss of income. Since this problem is out of the family's control, the major implication here is that planning for and having an emergency fund of cash reserves can help alleviate this problem if it should occur.

Over-extension of Income. This widespread problem can have a variety of causes. Families who do not have a planned, balanced budget can easily spend more money than they are making. Families who do budget may encounter medical emergencies or other unexpected expenses that require them to extend themselves over the planned budget. In such cases the emergency fund in the budget is eventually used up and the savings account is also dipped into. When the family uses their planned savings for current expenses, their goals are not met and they have depleted their savings.

Beyond unexpected expenses, a major cause of over-extension of income is the misuse of credit. This can happen in a number of ways. One common pitfall is the accumulation of an overload of installment debt. Another problem is the overuse of credit cards. Both of these actions can lead the family into dangerous indebtedness. Their credit rating is downgraded and then they may face the problem of not being able to obtain credit at all. This greatly limits the family's spending power.

Other mismanagement problems plague the over-extended family, too. Impulse buying is one practice that, when used extensively, can create financial difficulty for the family. Planning the budget around the family's goals and working towards these can help reduce this problem. Additionally, when large irregular expenses such as taxes, insurance, and tuition are not budgeted for they can also cause the family to use up their savings or go into debt to pay for them. In Section II a plan is given to create a reserve fund in anticipation of these expenses. This can be a problem-solving device too.

Debt Limits for a Family

We have viewed over-extension as a major financial problem of families and examined a few of its causes. The question may arise of "How much debt is too much?" Many authors have suggested formulas for determining over-extension. What are some of these?

One of the simpliest rules of debt limit is the 20% Rule. This means that a family should not owe more than 20 percent of their yearly

income after taxes. This amount of debt does not include the home mortgage. For example, if a family has a disposable income of $800 a month or $9,600 a year, then their debt limit should be about $2,000.

Other debt guidelines for percentages of incomes have been suggested by other authors. Figure 7 shows some percentages as noted by Lang and Gillespie (1977).

Figure 7

GENERAL DEBT GUIDELINES: PAYMENTS AS A PERCENTAGE OF DISPOSABLE INCOME

PERCENT	CURRENT DEBT LOAD	ADDITIONAL CREDIT USAGE
15 OR LESS	SAFELY WITHIN LIMITS	NEW CREDIT COULD BE UNDERTAKEN
15 TO 20	FULLY EXTENDED WITH PRESENT CREDIT	FURTHER USE IS POSSIBLE, BUT CARE IS REQUIRED
20 TO 30	OVEREXTENDED ON CREDIT, CORRECTIVE ACTION RECOMMENDED	ANY FURTHER USE IS ILL-ADVISED.
30 OR MORE	SERIOUSLY OVEREXTENDED, DRASTIC CORRECTIVE ACTION IS IMPERATIVE	FURTHER USE IS OUT OF THE QUESTION

Another formula has been called the "Rule of Thumb Approach." This guideline says that "dead-horse debt" (that is, all credit accounts and loans except those for automobiles and home mortgage) should not exceed one month's take-home pay. This is a very limiting guideline that may be the safest for some families. (Mittra, 1977)

Professor Gwen Bymers of Cornell University has formulated a method of examining debt limits. As adapted, use the following steps: (1) Determining how much cash you have available to meet emergencies. This amount is your liquid assets and for debt-setting purposes should be more than $800. (2) Determining how long you are committed to your present installment debt. Multiply the total monthly payments by 12 and divide this amount by the total debt. If the answer is less than one, then you can pay off your present debts in less than a year. (3) Determining how much of your annual income is committed to installment debt payments. Divide the annual debt payment total by your yearly income after taxes. A safe answer is less than 20%. According to Bymers, three unsatisfactory answer to these questions indicates financial vulnerability. Two undesirable answers indicates that the family may run into difficulties in meeting its installment debt. One negative answer may not be of serious concern, and three answers that are satisfactory indicates that the family can manage its installment debt without great difficulty.

These formulas are for your consideration and are only guidelines, not hard and fast rules. The family needs to consider other factors such as job stability, the overall economic conditions, and other individual situations in setting their own debt limits.

How to Get Out of Debt

When the family finds itself leaning towards over-extension, then careful budgeting may be an answer. Analysis of the budget will show where expenses might be reduced for specific items and where discretionary spending might be curbed. If, after budgeting, the family realizes that they are in serious financial trouble, then other measures must be taken.

The first logical step in seeking help with over-indebtedness is to call the creditors. Many creditors will make arrangements to prorate payments so that the debtor can pay what he can afford to each creditor and not fall behind in paying any particular debt. In effect, the creditor(s) agrees to accept less than the proper amount and thus "stretch out" the payments by lowering the amount of each payment. Another approach is to ask each creditor to permit you to skip one payment, if that will help the situation, and finally make that payment at the end. Still another approach obtained in order to combine several smaller debts into one large debt with only one monthly payment. The total payment is always smaller than the amount of all the others, in part, because the debt is paid back over a longer period of time. Keep in mind, however, that the total dollar cost of credit rises since more time is taken to pay back the debts. A credit union or bank is a good source from which to seek this help as they have the advantage of lower interest rates. A consumer finance company also provides such loans, but at higher interest rates.

Financial Counseling. If indepth financial counseling is needed to help the family change its planning and spending patterns, many services are available to them. The traditional source of financial counseling has been the family minister. This may be helpful, but such persons are rarely trained in the area of financial counseling. Fortunately, there are other specialists who are trained specifically in financial counseling. The Family Service Association and the Consumer Credit Counseling Services are two agencies that have offices across the country. They are non-profit organizations. There are also many private debt counseling agencies to help persons get out of debt, but beware of "hidden charges" if it is a profit-making organization. Finally, there are legal aid societies and other social services to aid families with financial difficulties. The important thing is to realize when you need help and ask for it before matters become even worse.

Bankruptcy. If all of the options mentioned above fail, then bankruptcy may be the only course left to take. There are two types of bankruptcy that a family may file. The first is voluntary bankruptcy as outlined in Chapter XI of the Federal Bankruptcy Act. This is straight bankruptcy in which certain assets of the family are liquidated in order to pay off creditors. The family is allowed to keep such necessities as the home, automobile, clothing, and other household goods. To file bankruptcy under Chapter XI, a fee of $50-$100 is charged. This results in a "clean slate" for the debtor and the opportunity for a fresh start. Once this type of bankruptcy has been declared it cannot be declared again for six years. This means that the family will have to carefully manage their finances for this period, thus they are not necessarily seen as a "bad risk" by creditors and have a chance to rebuild their financial status. All records of this type of bankruptcy are removed from the individual's credit file after fourteen years.

The second type of bankruptcy is referred to as Chapter XIII or the Wage Earner Plan of the Federal Bankruptcy Act. This plan is available to any person whose income is from wages, salary, or commissions. To file this type of bankruptcy, the debtor petitions the court of his desire for an extension of time in which to pay his debts. The debtor must submit a plan as to how he will pay the debts. The court then appoints a supervisor to counsel the debtor and help with the arrangements for paying the debts, such as determining the percentage of income that will be used for living expenses and the amount that will be deducted from his wages to pay off his debts. Through this procedure the family is not subjected to the social stigma of one going through a straight bankruptcy, but they are still obligated to old debts. Of great value under bankruptcy proceedings is that once the petition is filed creditors are prohibited from harrassing the consumer/debtor and trying to collect the entire debt. Thus, the family is protected under the bankruptcy laws.

It is up to the family, with the advice of an expert, to decide which type of bankruptcy, if either, would be the best for their situation. Legal advice from a private attorney or a legal aid society can help with this decision and with the procedures that follow. Remember, this is the last resort. Hopefully, careful financial planning has kept the family from coming to this point, and instead, permitted the family to successfully achieve their financial objectives.

OVERVIEW APPROACHES

A. Leader/Lecture-Oriented Presentation (50 Minute Overview)

To the leader: The following lesson plan is a suggested approach for a 50-minute presentation covering the highlights of the entire financial planning module. The first column, "Section of Module," indicates the part of the module to be covered. The "Time" column suggests how many minutes could be spent on that particular section in order to cover all of the material in 50 minutes. The "Preparation" column recommends procedures to help you prepare for the presentation of the material. The "Activity" column tells you what you should do with or for the group. It is important to remember that it will be very difficult to cover all of this material in just 50 minutes. For this reason, be especially careful not to exceed the time limit suggestions in the "Time" column unless you take equal time away from another part. Otherwise, you will not accomplish all of the goals for the session.

Section of Module	Time (Min.)	Preparation	Activity
Introduction	2	Read the purpose of the module on page 3 and the introduction on page 6.	Briefly introduce yourself and state: "Would you believe that a family with an annual income of $21,000 could not make ends meet? Regardless of the size of the income, many families do have this problem. In the case of the family just mentioned, the husband had been earning a good salary for several years, but part of the problem was that the family could not stop spending. Both he and his wife were equally careless. No real plans were ever made for spending, for savings, or for future goals. Simply put, there were no plans at all. Since their indebtedness amounted to over $36,000 with assets amounting to only $4,500, this family eventually ended up filing for bankruptcy. This case illustrates that, rich or poor, all families have a need for some sort of financial planning. We will be examining the purposes of

Section of Module	Time (Min.)	Preparation	Activity
			financial planning, how a financial master plan can be made and implemented, and how this will help you in handling common financial problems."
I. Purposes of Financial Planning	3	Review the objectives, conceptual outline, and supplemental narrative for Section I on pages 16-18.	State: "We should begin by listing some of the purposes behind and assumptions about financial planning." Then state (read, list on chalkboard, flipchart, etc.) several of these purposes and assumptions as listed in the conceptual outline on pages 16-17.
II. Making a Financial Master Plan	9	Review the objectives for Section II on page 20. Examine carefully the conceptual outline and supplemental narrative on pages 20-29. Pay close attention to the tables and forms provided (Figures 1-4). Be sure you fully understand these. The transparency masters provided on pages 77-81 correspond to these figures. If you decide to use transparencies, you may want to write the same numbers in on the blank masters as those shown on the figures in the supplemental narrative, or make up amounts of your own that are suitable to the typical income levels of your audience. It would also be helpful to the learners if	Explain the steps involved in making the financial plan as listed in the conceptual outline. Begin with determining family resources. Include: (1) current net worth.* (Transparency Master 3 may be shown or blank forms distributed to help explain this concept.); (2) estimating projected income and determining disposable income.* (Transparency Master 4 or distributed blanks may be used.); and (3) other resources.
	5		State that the next step in making the plan is projecting expenses. Mention (1) the difference between fixed and variable expenses, (2) determining goals (list the three types and give examples of each), and (3) determining spending patterns.
	6		Mention that the time length of the plan is up to the individual. Point out that savings is given first consideration

Section of Module	Time (Min.)	Preparation	Activity
		they were given copies of these blank forms for their own use.	in the written plan and describe the hypothetical savings plan example as given in the supplemental narrative.* (Transparency Master 5 may be used.) State that after amounts for savings have been determined, then the expenses should be incorporated into the plan. Give special attention to large irregular (revolving) expenses as they are a frequent problem.* (Transparency Master 6 can be used to illustrate how these can be managed. The example in the supplemental narrative on page 29 will help you.
III. Implementing the Financial Master Plan	1	Review the objective, conceptual outline, and supplemental narrative for Section III on pages 31-39.	State: "Once the financial master plan has been made, the budget serves as a short-term tool to be used in implementing the total financial plans." Comment that the budget should suit the individual needs of the family.
	4	Decide if you will use Transparency Master 8 on page 83 for this discussion or if you will write the information on a chalkboard, use a flipchart, or simply state the information.	List the steps in the budgeting process.* (Transparency Master 8 may be used or this information may be written on a chalkboard, flipchart, or simply stated.) Give a brief explanation of each step (consult the supplemental narrative for help in doing this).
	6	Examine Figures 5 (page 36) and 6 (page 39) and their explanations in the supplemental narrative. Note the corresponding blank forms in the appendix	State that it is important for the family to develop a budget worksheet that suits their own needs. Use Figure 5* (Transparency Master 9) as an example of one family's budget. Explain how the worksheet was used. State that each monthly budget

Section of Module	Time (Min.)	Preparation	Activity
		(Transparency Masters 9 and 10, pages 84 and 86). If you decide to use transparencies, you may want to write the numbers we have given in as examples or make up your own amounts. Again, we suggest that the audience be given copies of the blank forms.	must be evaluated and adjustments made to better suit the needs of the family. Then show how Figure 6 (Transparency Master 10) can be used to keep records of each monthly budget to help in the evaluation of the total plan. Briefly discuss the importance of the annual evaluation and adjustment of the financial master plan.
IV. Handling Financial Problems	4	Review the objectives, conceptual outline, and supplemental narrative for Section IV on pages 41-46. Be familiar with the formulas for determining over-extension and the information on bankruptcy.	State: "Although financial planning should be a preventive measure, many people begin to consider any form of planning only after they are already in serious financial trouble. Financial planning can serve as part of the remedy, but before any permanent solution can be found, the specific problems and causes must be identified. Once known, one can seek out the proper assistance. Usually these problems center on or result in either the loss of income or over-extension of income." Mention several specific types of financial problems and their causes.
	6		State that to avoid over-extension the family must know its debt limits. Select one of the formulas given and explain or illustrate its use. List several alternatives that the family can choose from if they do become financially over-extended, as listed in the conceptual outline. Conclude that bankruptcy is the last resort and point out the differences between the two types of bankruptcy.

Section of Module	Time (Min.)	Preparation	Activity
Conclusion	1		End the session on a positive note by reminding the learners that careful financial planning in the first place will lead to the successful accomplishment of the family's goals.
	3		Ask the audience for questions or comments concerning the topics covered. If desired, arrange for a follow-up session with a guest speaker such as a local banker, lawyer, or financial counselor.

B. Discussion-Oriented Presentation (50 Minute Overview)

To the leader: This is a structured discussion approach for a 50-minute session covering the highlights of the entire financial planning module. The first column, "Section of Module", indicates the part of the module to be covered. The "Time" column suggests how many minutes could be spent on that particular section in order to cover all of the material in just 50 minutes. The "Preparation" column recommends procedures to help you prepare for the presentation. The "Activity" column suggests how you might lead a discussion on each topic. It is important to remember that it will be very difficult to cover all of this material in just 50 minutes. For this reason, be especially careful not to exceed the time limit suggestion in the "Time" column (unless you take equivalent time away from another part). Otherwise, you will not be able to accomplish all of the goals for the session.

Section of Module	Time (Min.)	Preparation	Activity
Introduction	4	Read the purpose of the module on page 3 and the introduction on page 6.	Briefly introduce yourself and state: "Would you believe that a family with an annual income of $21,000 could not make ends meet? Regardless of the size of the income, many families do have this problem. In the case just mentioned, the husband had been earning a good salary for several years, but part of the problem was that the family could not stop spending. Both he and his wife were equally careless. No real plans were ever made for spending, savings or for future goals. Simply put, there were no plans at all. Since their indebtedness amounted to over $36,000 with assets amounting to only $4,500, this family eventually ended up filing for bankruptcy. Does this sound like a familiar case to you?" (Allow time for brief comments.) "We will be discussing the purposes of financial planning, how to make and implement a financial master plan, and how to handle common financial problems."

Section of Module	Time (Min.)	Preparation	Activity
I Purposes of Financial Planning	4	Review the objectives, conceptual outline, and supplemental narrative for Section I on pages 16-18. Refer to the leader activities for this section on page 59 and decide which of the reaction questions you will use to elicit response from the group.	Use one or more of the questions on page 59 to stimulate discussion on the purposes of financial planning. From this discussion draw out several of the purposes and assumptions given in the conceptual outline.
II Making a Financial Master Plan	10	Review the objectives for Section II on page 20. Read carefully the conceptual outline and supplemental narrative on pages 20-29. Refer to the Leader Activities for this section on page 60 and decide which of the questions you will ask to elicit response from the group.	Ask the learners some or all of the questions on page 60 to arrive at the steps and factors involved in making a financial master plan. Make sure that the following concepts are brought out through this discussion: (1) net worth, (2) estimating projected income and determining disposable income, (3) distinguishing between fixed and variable expenses, (4) setting the family's goals, (5) determining spending patterns, (6) the importance of planned savings, and (7) how to handle large irregular (revolving) expenses. If they are not, briefly explain the role of each of each of these in making the financial plan.
III Implementing the Financial Master Plan	8	Review the objectives, conceptual outline, and supplemental narrative for Section III on pages 31-39. Refer to the Leader Activities for this section on page 63 and decide which of the questions you will ask to stimulate response from the group. Although this is a discussion-based	Through the discussion questions, make the point that the budget is a short-term tool to be used in implementing total financial plans. Make sure that each of the steps in the budgeting process are mentioned. If possible, give the learners copies of the monthly and annual budget worksheets and discuss their use.

Section of Module	Time (Min.)	Preparation	Activity
III (Cont'd)		approach, it would be helpful to the learners if they were given copies of the blank financial record forms.	
	5		Ask the audience to comment on how they would evaluate the total financial plan. All of the points under that topic in the outline on pages 32-33 should be included in the discussion.
IV Handling Financial Problems	6	Review the objectives, conceptual outline, and supplemental narrative for Section IV on pages 41-46. Refer to the Leader Activities for this section on page 65 and decide which of the questions you will ask to elicit response from the group.	Ask the learners the questions on handling financial problems. From their answers identify several financial problems and their causes. The problems will probably fall under the categories of loss of income and over-extension of income.
	4		Ask the audience, "How much debt is it safe for a family to accumulate?" Direct their answers towards the use of one of the formulas for determining debt limits explained in the supplemental narrative.
	5		Ask for discussion on "How does a family get out of debt?" Make sure that all of the points under section IV.D.(page 42) of the conceptual outline are covered.

Section of Module	Time (Min.)	Preparation	Activity
Conclusion	4		Ask if there are any additional questions or comments about financial planning. If interest is indicated, you may want to arrange a follow-up session with a guest speaker or panel discussion made up of local bankers, lawyers, financial counselors, etc.

INDEPTH APPROACH
LEADER ACTIVTIES
(Presentations for Two Sessions)

SESSION ONE PRESENTATION

THE PURPOSES OF FINANCIAL PLANNING AND MAKING A FINANCIAL MASTER PLAN

The following plan is a suggested approach for a 50-minute presentation covering the first two components of the financial planning module.

The first column, "Section of Module" indicates the part of the module to be covered.

The "Type of Activity" column tells whether the activity is Recommended, Suggested, or Optional. Remember to concentrate first on the Recommended(R) activities and if time permits, next on the Suggested(S) activities, and finally on the Optional(O) activities.

The "Time" column suggests how many minutes might be spent on that particular activity in order to cover all of the material in 50 minutes. It is important to remember that it may be very difficult to cover all of this material in just 50 minutes. For this reason, be especially careful not to exceed the time limit suggestions in the "Time" column unless you take equal time away from another part.

The "Activity" column suggests activities for meeting the objectives. Often an activity says "list", "state", or "define" for example. The actual approach to be used is left for you to decide. If you have facilities for overhead projection, chalkboard, or flip chart, these can be used as well. You are urged to use whatever method you feel is most effective, convenient, and available.

When an asterisk(*) appears at the end of an activity, it indicates that a transparency master for that particular activity is in the Appendix. Before you proceed, be sure that you are familiar with the objectives for each component, the material in the conceptual outline and supplemental narrative for each component, and have decided how you will accomplish each activity.

Section of Module	Type of Activity	Time	Preparation	Activity
Introduction	R	3	Read the purpose of the module on page 3 and the introduction on page 6.	Briefly introduce yourself and state: "Would you believe that a family with an annual income of $21,000 could not make ends meet? Regardless of the size of the income, many families do have this problem. In the case of the family just mentioned, the husband had been earning a good salary for several years, but part of the problem was that the family could not stop spending. Both he and his wife were equally careless. No real plans were ever made for spending, for savings, or for future goals. Simply put, there were no plans

Section of Module	Type of Activity	Time	Preparation	Activity
Introduction (Cont'd)				at all. Since their indebtedness amounted to over $36,000 with assets amounting to only $4,500, this family eventually ended up filing for bankruptcy. This case illustrates that, rich or poor, all families have a need for some sort of financial planning. In this session we will be examining the purposes of financial planning and how a financial master plan can be made.
I Purposes of Financial Planning	R	5	Review the objectives for Section I on page 16. Transparency Master 1 of objectives can be shown as background during the pre-test discussion.	(oral pre-test) Ask the group to react to some or all of the following questions to stimulate thought and to check the amount of understanding the learners have about this topic.* (Transparency Master 1, page 75, may be shown.) (1) "Our family has not had any financial difficulties for some time. Why do we need to make a financial plan?" (2) "Lately we seem to be quarreling with our children over money matters. What can we do to help this situation?" (3) "Is financial planning really worth the extra time and effort it takes?" After receiving responses from the group, state this generalization: "We can see that there are a variety of assumptions and purposes about financial planning."
I	R	3	Be familiar with the conceptual outline and supplemental narrative for section I on pages 16-18.	State (or list on a chalkboard, flipchart, etc.) the assumptions and purposes for financial planning as listed in the conceptual outline on pages 16-17. The supplemental narrative for this section will help you explain these points to the learners.

Section of Module	Type of Activity	Time	Preparation	Activity
II Making a Financial Master Plan	R	5	Review the objectives for Section II on page 20. Transparency Master 2 on page 76 may be shown as background for this discussion.	(oral pre-test) Again ask the audience to respond to one or more of the following questions*: (Transparency Master 2 may be shown). (1) "I have tried to write down my financial plans, but I can't seem to find an organized way of doing this. What should I do?" (2) "I've never made a financial plan before. How will I have any idea of what I plan to spend?" (3) "Last year I was doing well with my finances until the month when my annual auto insurance premium came due. Then I had to borrow $300. How can a financial plan help me avoid this?" After receiving responses from the group, state this generalization: "A written financial master plan can help avoid many problems. We need to look at how one goes about devising such a plan."
			Examine carefully the conceptual outline and supplemental narrative for Section II on pages 20-29. Pay close attention to the tables and forms provided (Figures 1-4). Be sure you fully understand these. The transparency masters provided on pages 77-81 correspond to these figures. If you decide to use transparencies you may want to write the same numbers	Explain the steps involved in making the financial plan as listed in the conceptual outline. The supplemental narrative will give you an idea of how the steps might be explained and the figures used.
	R	12		First discuss determining family resources. Include: (1) current net worth* (Transparency Master 3 may be shown or blank forms distributed to help explain this concept). (2) estimating projected income and determining disposable income*. (Transparency Master 4 or distributed blanks may be used), and (3) other resources.
	R	9		State that the next step in making the plan is projecting expenses. Mention: (1) the difference between fixed and variable expenses, (2)

Section of Module	Type of Activity	Time	Preparation	Activity
II (Cont'd)			in on the blank masters as those shown on the figures in the supplemental narrative, or make up amounts of your own that are suitable to the typical income levels of your audience. It would also be helpful to the learners if they were given copies of these blank forms for their own use.	determining goals (list the three types and give examples of each), and (3) determining spending patterns.
	R	3		Briefly discuss the time length of the plan. Point out that savings is given first consideration in the written plan.* (Transparency Master 5 may be shown and hypothetical amounts written in). Be sure to mention the emergency fund.
	R	4		State that after amounts for savings have been determined, then the expenses should be incorporated into the plan. Give special attention to large irregular (revolving) expenses as they are a frequent problem.* (Transparency Master 6 can be used to illustrate how these can be managed. The example in the Supplemental Narrative on page 29 will help you.
	R	1		Conclude this session by stating "When the total written plan has been devised, a monthly budget is planned in order to implement the total financial master plan."
	S	5		Ask if there are any questions from the audience.

SESSION TWO PRESENTATION

IMPLEMENTING THE FINANCIAL MASTER PLAN AND HANDLING FINANCIAL PROBLEMS

The following plan is a suggested approach for a 50- minute presentation covering the third and fourth components of the financial planning module.

The first column, "Section of Module" indicates the part of the module to be covered.

The "Type of Activity" column tells whether the activity is Recommended, Suggested, or Optional. Remember to concentrate first on the Recommended(R) activities and if time permits, next on the Suggested (S) activities, and finally on the Optional(O) activities.

The "Time column suggests how many minutes might be spent on that particular activity in order to cover all of the material in 50 minutes. It is important to remember that it may be very difficult to cover all of this material in just 50 minutes. For this reason, be especially careful not to exceed the time limit suggestions in the "Time" column unless you take equal time away from another part.

The "Activity" column suggests activities for meeting the objectives. Often an activity says "list", "state", or "define" for example. The actual approach to be used is left for you to decide. If you have facilities for overhead projection, chalkboard, or flip chart, these can be used as well. You are urged to use whatever method you feel is most effective, convenient, and available.

When an asterisk(*) appears at the end of an activity, it indicates that a transparency master for that particular activity is in the Appendix. Before you proceed, be sure that you are familiar with the objectives for each component, the material in the conceptual outlines and supplemental narrative for each component, and have decided how you will accomplish each activity.

Section of Module	Type of Activity	Time	Preparation	Activity
Review	S	3	Review the objectives and competencies for Section I and II on pages 16 and 20.	State: "In our last session we discussed the purposes and assumptions of financial planning and the considerations that must be given in making a financial master plan for the family. What are some of the more important points to remember concerning these topics?" (allow time for brief responses from the learners)

Section of Module	Type of Activity	Time	Preparation	Activity
	R			"In this session, we will discuss first how the financial plan is implemented through budgeting and then how to alleviate common financial problems that families may have."
III Implementing the Financial Master Plan	R	5	Review the objectives for Section III on page 31. Transparency Master 7 of objectives can be shown as background during the pre-test discussion.	(oral pre-test) Ask the group to react to some or all of the following questions to stimulate thought and to check the amount of understanding the learners have about this topic.* (Transparency Master 7, page 82, may be shown.) (1) Our family has set financial goals for the future and estimated the income, savings, emergency fund, etc. that we expect to maintain. What do we do now to make sure these goals are achieved? (2) Budgeting seems to take up too much of my time to be worthwhile, and all these forms and worksheets are confusing to me. What am I doing wrong? (3) We made out a budget for every month last year but it didn't seem to help us get out of debt. How do you use a budget effectively? After receiving responses from the group, state this generalization: "The process of budgeting is an essential part of accomplishing your financial objectives. It is important to remember, however, that the budget is a <u>short-term</u> tool to be used in implementing <u>total</u> financial plans."

Section of Module	Type of Activity	Time	Preparation	Activity
III (Cont'd)	R	1	Be familiar with the conceptual outline and supplemental narrative for section III on pages 32-39.	Explain that the budget is only one segment of the total financial plan, that it should be a joint family effort, and should be devised to suit the individual needs of the family.
		5	Decide if you will use Transparency Master 8 on page 83 for this discussion or if you will write the information on a chalkboard, use a flipchart, or simply state the information.	List the steps in the budgeting process.* (Transparency Master 8 may be used or this information may be written on a chalkboard, flipchart, or simply stated.) Comment on the importance of each step. (The supplemental narrative will help you do this).
	R	8	Examine figures 5 (page 36) and 6 (page 39) and their explanations in the supplemental narrative. Note the corresponding blank forms in the appendix (Transparency Masters 9 and 10 (pages 84 and 86.) If you decide to use transparencies you may want to write the same numbers in on the blank masters as those shown on the figures in the	Discuss the development of the individual family's budget worksheet. Stress the importance of each family designing a worksheet to suit their own needs. Use Figure 5* (Transparency Master 9) as an example of one family's budget. Explain how the worksheet was used. State that each monthly budget must be evaluated and adjustments made to better suit the family's needs.
	R	5	supplemental narrative as examples, or make up amounts of your own that are suitable to the typical income levels of your audience. It would also be	Discuss evaluating the total financial plan. Use Figure 6* (Transparency Master 10) to illustrate how each monthly budget must be viewed in terms of an annual evaluation. Explain that redetermining net worth and reassessing the family's goals are

Section of Module	Type of Activity	Time	Preparation	Activity
III (Cont'd)			helpful to the learners if they were given copies of these blank forms for their own use.	also important in evaluating the financial status and plans.
	O	3		Ask if there are any questions on the topics just covered.
IV Handling Financial Problems	R	5	Review the objectives, conceptual outline, and supplemental narrative for Section IV on pages 41 thru 46. Transparency Master 11 on page 88 may be shown as background for this discussion.	(Oral pre-test) Again ask the audience to respond to one or more of the following questions*: (Transparency Master 11 may be shown). (1) Almost one third of my monthly paycheck goes towards paying installment debts. Have I over-extended my credit? (see page 42, IV. C. 1.) (2) There's no way possible for me to make all the credit payments that are due this month. What can I do? (see page 42, IV. D. 2.,3.,4.) (3) Bankruptcy seems to be the only alternative I have left. What are the real consequences of taking this step. (page 42, IV. D. 5.) After receiving responses from the group, state this generalization: "Although financial planning should be looked at as a preventive measure, many people begin to consider budgeting or any form of planning only after they are already in serious financial trouble. Financial planning can serve as part of the remedy, but before any permanent solution can be found, the specific problems and causes must be identified. Once known, one can seek out the proper assistance.

Section of Module	Type of Activity	Time	Preparation	Activity
IV (Cont'd)	R	3	Be sure you are familar with the section of supplemental narrative on page 43 headed "Financial Problems and Their Causes."	State that financial problems center on or result in either the loss of income or overextension of income. Mention several specific types of financial problems and their causes. The supplemental narrative on page 43 will give you suggestions for doing this.
	R	4	Read carefully the section of supplemental narrative on pages 43-44 headed "Debt Limits for a Family". Make sure you fully understand the four formulas for determining debt limits.	Discuss the topic of debt limits for a family. Select at least one formula for determining debt limits and explain this to the learners. If a chalkboard or flipchart is available you may want to illustrate the use of the formula.
	R	5	Review the section of supplemental narrative headed "How to Get Out of Debt" (pages 45-46). Be sure you understand the section on bankruptcy as you will likely have questions about this topic.	List the alternatives a family can choose from to alleviate financial overextension. Begin with use of a tight budget, mention contacting the creditors, a bank, finance company, etc., or some type of financial counselor. Conclude that bnakruptcy is the last resort to handling financial problems and point out the difference between a Chapter XI and a Chapter XIII bankruptcy. End the discussion on a positive note by reminding the learners that careful financial planning in the first place will lead to the successful accomplishment of the family's goals.

Section of Module	Type of Activity	Time	Preparation	Activity
Conclusion	S	3		Ask the audience for any questions or comments concerning the topics covered.
	O			Arrange for a third indepth session with a guest speaker such as a local banker, lawyer, or financial counselor.

SOURCES OF FURTHER REFERENCE

Sources of Further Reference

For additional indepth reading on the preceding topics, see any one or more of the following references. If these are not available in your local school, college, or public library, you may wish to order several for your use.

Textbooks

Bailard, Thomas E., David L. Biehl and Ronald W. Kaiser, Personal Money Management, Science Research Associates, Inc., Chicago, 1977, pp. 43-69.

Bartok, Fred W. and Edward B. Lee, Jr., Personal Economics, Holbrook Press, Inc., Boston, 1977, pp. 17-41.

Burda, Edward T., Consumer Finance, Harcourt, Brace, Jovanovich, Inc., New York, 1975, pp. 63-81.

Cohen, Jerome B., Personal Finance: Principles and Case Problems, Richard D. Irwin, Inc., Homewood, Illinois, 1975.

Donaldson, Elvin F., John K. Pfahl, and David T. Crary, Personal Finance, The Ronald Press Company, New York, 1977, pp. 33-69.

Hurley, Gale E., Personal Money Management: A Consumer Guide, Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1976, pp. 3-14, 66-73, 75-100.

Lang, Larry R. and Thomas H. Gillespie, Strategy for Personal Finance, McGraw-Hill Book Co., 1977, pp. 36-71, 146-150.

Mittra, Sid, Personal Finance: Lifetime Management by Objectives, Harper & Row Publishers, Inc., 1977, pp. 51-75, 116-122.

Porter, Sylvia, Money Book, vol. 1, Doubleday & Co., Inc., New York, 1975, pp. 8-41, 146-151.

Raihall, Denis T., Family Finance: Money Management for the Consumer, Little, Brown, and Co., Ltd., Canada, 1975, pp. 19-47.

Articles

"Bankruptcy- No Longer a Dirty Work," U.S. News and World Report, vol. 78 (April 7, 1975), pp. 52-53.

"Budget Smoothes the Way," Changing Times, vol 30 (February, 1976), pp. 18-19.

Bymers, Gwen J. "A Financial Checkup on the Use of Credit," Cooperative Extension Service, New York State College of Home Economics, Cornell University, Ithaca, New York.

"Consumer Exepnditure Survey,"(Report 455-3), 1976, U.S. Dept. of Labor.

Daly, M. "Family Money Management," Better Homes and Gardens , column in monthly issues.

"Do-It-Yourself Financial Checkup," Changing Times, vol. 30 (February, 1976), pp. 6-19.

"Do you Keep a Budget?" House and Garden, vol. 148 (April, 1976), pp. 109-110.

Donnelly, C. "How to Stop Arguing About Money," Reader's Digest, vol. 199 (July, 1976), pp. 68-71.

Lake, A. "How Families are Getting Out of Debt," McCalls, vol. 102 (May, 1975), p. 73.

"What Happens if You Go Bankrupt?" Changing Times, vol. 29 (June, 1975), pp. 39-42.

"When Your Budget Signals Danger," Changing Times, vol. 31 (February, 1977), pp. 33-35.

The following organizations and agencies have educational materials to provide assistance in financial planning or counseling.

Organizations

Private

American Bankers Association, 12 East 36th Street, New York, N.Y., 10016.

American Bar Association, 1155 East 60th Street, Chicago, Il., 60637.

Credit Union National Association, Box 431B, Madison, Wi., 53594.

Household Finance Corporation, Prudential Plaza, Chicago, Il., 60601.

Institute of Life Insurance, Educational Services, 277 Park Avenue, New York, N.Y., 10017.

National Consumer Finance Association, Educational Services Division, 1000 16th Street, NW, Washington, D.C., 20036.

National Consumer Information Center, 30005 Georgia Avenue, NW, Washington, D.C., 20001.

National Foundation for Consumer Credit, Federal Bar Building, West, 1819 H Street, NW, Washington, D.C., 20006.

Federal

Office of Consumer Affairs, Department of Health, Education and Welfare, Washington, D.C., 20201.

Office of Saver and Consumer Affairs, Federal Reserve System, Washington, D.C., 20551.

U.S. Department of Agriculture, Washington, D.C., 20250.

State

Consumer Credit Counseling and Educational Service of Greater Washington, Inc., 3541 Chain Bridge Road, Fairfax, Va., 22030.

Virginia Legal Aid Society, P.O. Box 417, Richmond, Va., 23203.

Virginia Citizens Consumer Council, P.O. Box 777, Springfield, Va., 22150.

Virginia Retail Merchants Association, Raleigh Hotel, Suite #3, Richmond, Va., 23219.

Virginia Polytechnic Institute and State University, Extension Service, Blacksburg, Va., 24061.

Local

Local banks

Local credit bureaus

Local credit union

Local Legal Aid Society

County Extension Agent

EVALUATION DEVICE

Rather than have the adult learners complete a final posttest, it is suggested that you use this type of evaluation. By using this form of evaluation, you will have an idea of what the participants actually learned, and which of your techniques you may want to use again or alter. If on the other hand, you prefer giving a formal posttest to better assess actual learning, the competencies listed at the beginning of this module have been designed to facilitate making questions for such a test.

In order to keep the evaluation brief in length and in time needed for completion, three questions might be asked. The participants could write their answers and comments and turn them in to you with their names on them or anonomously. The three areas of information you want to evaluate will likely include:

1. Describe your overall reactions to our session(s) on "Making and Using a Financial Plan."
2. List the <u>three</u> most important things which you feel you have learned from our financial planning session(s).
3. What recommendation(s) can you give for similar sessions to be held in the future?

Other possible questions to help assess the learning of the participants might cover:

- What are some of the purposes of financial planning?
- Explain the importance of having a written long-term financial plan.
- Describe the role that the budget has in financial planning.
- What are the basic steps involved in setting up a personalized family budget?
- Name several causes of financial problems and sources of help the family might seek in handling their financial difficulties.

REACTIONS TO YOUR USE OF THIS MODULE

1. I used this module with the following group of adults:
   (please describe)

2. The group's reactions to the modular approach were:

3. My reactions to using this approach are:

4. My suggestions for revisions are:

Please return to:

Glen H. Mitchell or E. Thomas Garman
Virginia Polytechnic Institute
and State University
Management, Housing, and
Family Development
226 Wallace Hall
Blacksburg, VA 24061

APPENDIX

I. THE PURPOSES OF FINANCIAL PLANNING

MAJOR OBJECTIVE:

To cite the major purposes for and assumptions underlying the concept of financial planning.

SPECIFIC OBJECTIVES:

To list ways in which financial planning can improve the over-all well being of families and individuals.

To understand the importance of setting goals on which to base financial plans.

II. MAKING A FINANCIAL MASTER PLAN

MAJOR OBJECTIVE:

TO DEVISE A FINANCIAL MASTER PLAN TO CHART OUT THE FINANCIAL OBJECTIVES OF A FAMILY OR INDIVIDUAL OVER A NUMBER OF YEARS.

SPECIFIC OBJECTIVES:

TO DETERMINE THE NET WORTH OF A FAMILY OR INDIVIDUAL.

TO LIST SEVERAL TYPES OF RESOURCES AVAILABLE TO A FAMILY.

TO DEFINE WHAT IS MEANT BY DISPOSABLE INCOME.

TO LIST AND CITE EXAMPLES OF THE THREE TYPES OF GOALS IN FINANCIAL PLANNING.

TO IDENTIFY WAYS OF DETERMINING EXPENDITURE PATTERNS.

TO DISTINGUISH BETWEEN FIXED AND VARIABLE EXPENSES.

TO UNDERSTAND THE IMPORTANCE OF SAVINGS AND OF PLANNING FOR AN ADDITIONAL EMERGENCY FUND.

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BALANCE SHEET OR FINANCIAL STATEMENT

ASSETS	BEGINNING OF THE YEAR 19 ____	END OF THE YEAR 19 ____
MONEY IN SAVINGS ACCOUNTS	$_____	$_____
CASH ON HAND AND CHECKING ACCOUNT BALANCE	$_____	$_____
CASH VALUE OF:		
HOME AND OTHER REAL ESTATE	$_____	$_____
AUTOMOBILE AND OTHER VEHICLES	$_____	$_____
HOUSEHOLD EQUIPMENT AND FURNISHINGS	$_____	$_____
INSURANCE (CASH VALUE OF POLICY)	$_____	$_____
BONDS, STOCKS AND OTHER INVESTMENTS	$_____	$_____
ANNUITY OR RETIREMENT PLAN (CASH VALUE)	$_____	$_____
MONEY OWED YOU	$_____	$_____
OTHER_____	$_____	$_____
_____	$_____	$_____
_____	$_____	$_____
TOTAL ASSETS	$_____	$_____
LIABILITIES		
MORTGAGE	$_____	$_____
DEBTS OWED (INSTALLMENT AND SINGLE PAYMENT LOANS)	$_____	$_____
_____	$_____	$_____
_____ _____	$_____	$_____
_____	$_____	$_____
TOTAL LIABILITIES	$_____	$_____
NET WORTH		
TOTAL OWNED MINUS TOTAL OWED	$_____	$_____

DETERMINING DISPOSABLE INCOME

1. DETERMINING GROSS INCOME

	Last Year's Income (to help as a Guide)	Income Expected This Year
Salary, Wage or Commission	_____	_____
Other Salary, Wage or Commission	_____	_____
Interest	_____	_____
Tax Refunds	_____	_____
Gifts	_____	_____
Pensions	_____	_____
Social Security	_____	_____
Annuity	_____	_____
Bonuses	_____	_____
Rents	_____	_____
Dividends	_____	_____
Special Fees	_____	_____
Welfare Payments	_____	_____
Food Stamps	_____	_____
Other Income _____	_____	_____
_____	_____	_____
_____	_____	_____

2. TOTAL GROSS INCOME _____ _____

3. DISPOSABLE INCOME (RECORD THESE DEDUCTIONS ON A MONTHLY BASIS)

FEDERAL INCOME TAXES DEDUCTED	_____
STATE INCOME TAXES DEDUCTED	_____
SOCIAL SECURITY TAXES	_____
HEALTH INSURANCE	_____
LIFE INSURANCE	_____
ACCIDENT INSURANCE	_____
DISABILITY INSURANCE	_____
RETIREMENT FUND CONTRIBUTIONS	_____
UNION DUES	_____
COMPANY SAVINGS PLANS	_____
CREDIT UNION SAVINGS	_____
OTHER DEDUCTIONS _____	_____

_____

4. TOTAL DEDUCTIONS (MONTHLY) _____

5. TOTAL DEDUCTIONS ON AN ANNUAL BASIS (MULTIPLY THE TOTAL OF DEDUCTIONS IN NUMBER FOUR BY 12) _____

6. TOTAL ANNUAL DISPOSABLE INCOME (SUBTRACT TOTAL OF THESE DEDUCTIONS IN NUMBER FIVE FROM TOTAL GROSS INCOME IN NUMBER 2) _____

7. TOTAL MONTHLY DISPOSABLE INCOME (DIVIDE ANNUAL TOTAL IN NUMBER SIX BY 12) _____

SAVINGS PLAN, 19 __

	SPECIFIC WANTS	EMERGENCIES	SECURITY	OTHER (SPECIFY)
GOALS FOR YEAR END				
LESS: NOW ON HAND				
BUDGET FOR YEAR				

RESERVE FUND WORKSHEET

FOR LARGE IRREGULAR OR REVOLVING EXPENSES

Year 19 __ Month Date	Amount Needed to Cover Large Expenses	Deposit in Reserve Savings Fund	Paid From Reserve Savings Fund	Reserve Savings Fund Balance
(Describe Expense Item:)				
January				
February				
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				*
TOTAL				

Total Large Irregular Expenses: $ _____ divided by 12 = $ _____
which is the amount to be deposited in Reserve Fund each month.

*Should equal balance at beginning.

III. IMPLEMENTING THE FINANCIAL MASTER PLAN

MAJOR OBJECTIVE:

TO VISUALIZE THE IMPLEMENTATION OF THE FINANCIAL MASTER PLAN THROUGH THE USE OF BUDGETING AND PERIODIC EVALUATIONS OF THE PLAN.

SPECIFIC OBJECTIVES:

TO RECOGNIZE THAT BUDGETING IS A SHORT-TERM TOOL THAT HELPS THE FAMILY ACHIEVE THEIR FINANCIAL OBJECTIVES.

TO LIST THE STEPS INVOLVED IN THE BUDGETING PROCESS.

TO DEVISE A PERSONALIZED BUDGET FOR A FAMILY.

TO UNDERSTAND THE IMPORTANCE OF CLOSELY EVALUATING THE BUDGET.

TO NOTE WAYS OF ADJUSTING THE BUDGET TO BETTER SUIT THE FAMILY'S NEEDS AND WANTS.

TO LIST WAYS IN WHICH TO EVALUATE AND ADJUST THE FINANCIAL MASTER PLAN.

THE BUDGETING PROCESS

1. DETERMINE WHAT GOALS YOU WANT TO ACHIEVE IN THE BUDGETING PROCESS.

2. ESTIMATE THE DISPOSABLE INCOME THAT WILL BE AVAILABLE FOR THE FAMILY'S USE DURING THE BUDGETING PERIOD.

3. CATEGORIZE THE TYPES OF EXPENSES THE FAMILY WILL NORMALLY ENCOUNTER DURING THE BUDGETING PERIOD.

4. ESTIMATE THE APPROXIMATE AMOUNTS THE FAMILY WILL SPEND IN EACH OF THESE CATEGORIES.

5. DEVISE A WORKSHEET FOR THE BUDGET THAT SUITS THE FAMILY'S INDIVIDUAL NEEDS.

6. ACCURATELY RECORD THE ACTUAL EXPENDITURES ONTO THE WORKSHEET.

7. EVALUATE THE BUDGET PERIODICALLY.

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MONTHLY BUDGET WORKSHEET

MONTH _____ 19 ___

DISPOSABLE INCOME $_____

FIXED EXPENSES	PLANNED	ACTUAL	(+) OR (-)
TAXES			
REAL ESTATE	$_____	$_____	$_____
PERSONAL PROPERTY	$_____	$_____	$_____
FEDERAL INCOME TAX	$_____	$_____	$_____
STATE INCOME TAX	$_____	$_____	$_____
MORTGAGE OR RENT	$_____	$_____	$_____
FIXED UTILITY PAYMENTS			
WATER	$_____	$_____	$_____
TV CABLE	$_____	$_____	$_____
OTHER	$_____	$_____	$_____
INSURANCE			
LIFE	$_____	$_____	$_____
MEDICAL	$_____	$_____	$_____
AUTO	$_____	$_____	$_____
OTHER PROPERTY	$_____	$_____	$_____
INSTALLMENT PAYMENTS			
_____	$_____	$_____	$_____
_____	$_____	$_____	$_____
_____	$_____	$_____	$_____
NOTES PAYABLE	$_____	$_____	$_____
LICENSES, FEES, AND DUES	$_____	$_____	$_____
TUITION	$_____	$_____	$_____
PLANNED SAVINGS	$_____	$_____	$_____
EMERGENCY FUND	$_____	$_____	$_____
FIXED EXPENSE TOTAL	$_____	$_____	$_____
VARIABLE EXPENSES			
FOOD			
MEALS AT HOME	$_____	$_____	$_____
MEALS OUT	$_____	$_____	$_____
ENTERTAINING	$_____	$_____	$_____
ALCOHOL AND TOBACCO	$_____	$_____	$_____

MONTH _____ 19__

	PLANNED	ACTUAL	(+) OR (-)
HOUSING			
FURNISHINGS & EQUIPMENT	$_____	$_____	$_____
HOUSEKEEPING SUPPLIES	$_____	$_____	$_____
MAINTAINENCE & REPAIRS	$_____	$_____	$_____
VARIABLE UTILITY EXPENSE			
ELECTRIC	$_____	$_____	$_____
TELEPHONE	$_____	$_____	$_____
FUEL	$_____	$_____	$_____
OTHER	$_____	$_____	$_____
CLOTHING			
PURCHASE	$_____	$_____	$_____
DRY CLEANING & LAUNDRY	$_____	$_____	$_____
ALTERATIONS	$_____	$_____	$_____
TRANSPORTATION			
GASOLINE AND OIL	$_____	$_____	$_____
REPAIRS	$_____	$_____	$_____
TIRES	$_____	$_____	$_____
PUBLIC TRANSPORTATION	$_____	$_____	$_____
MEDICAL CARE			
DOCTOR BILLS	$_____	$_____	$_____
MEDICINES	$_____	$_____	$_____
DENTAL CARE	$_____	$_____	$_____
PERSONAL CARE			
COSMETICS	$_____	$_____	$_____
BARBER AND HAIRDRESSER	$_____	$_____	$_____
OTHER	$_____	$_____	$_____
RECREATION			
VACATION AND TRIPS	$_____	$_____	$_____
RECREATIONAL EQUIPMENT	$_____	$_____	$_____
ENTERTAINMENT	$_____	$_____	$_____
EDUCATION			
SCHOOL SUPPLIES	$_____	$_____	$_____
BOOKS & READING MATERIALS	$_____	$_____	$_____
GIFTS AND CONTRIBUTIONS	$_____	$_____	$_____
PERSONAL ALLOWANCES	$_____	$_____	$_____
VARIABLE EXPENSE TOTAL	$_____	$_____	$_____
FIXED EXPENSE TOTAL (FROM PREVIOUS PAGE)	$_____	$_____	$_____
TOTAL	$_____	$_____	$_____

ANNUAL BUDGET WORKSHEET FOR YEAR 19 ___

FIXED EXPENSES:	January Planned	January Actual	February Planned	February Actual	March Planned	March Actual	April Planned	April Actual	May Planned	May Actual	June Planned	June Actual
Taxes												
Mortgage or Rent												
Fixed Utility Payments												
Insurance												
Installment Payments												
Notes Payable												
Licenses, Fees, and Dues												
Tuition												
Planned Savings												
Emergency Fund												
VARIABLE EXPENSES: Food												
Housing												
Clothing												
Transportation												
Medical Care												
Dental Care												
Personal Care												
Recreation												
Education												
Gifts and Contributions												
Personal Allowances												

FIXED EXPENSES:	July Planned	July Actual	August Planned	August Actual	September Planned	September Actual	October Planned	October Actual	November Planned	November Actual	December Planned	December Actual
Taxes												
Mortgage or Rent												
Fixed Utility Payments												
Insurance												
Installment Payments												
Notes Payable												
Licenses, Fees, and Dues												
Tuition												
Planned Savings												
Emergency Fund												
VARIABLE EXPENSES:												
Food												
Housing												
Clothing												
Transportation												
Medical Care												
Dental Care												
Personal Care												
Recreation												
Education												
Gifts and Contributions												
Personal Allowances												

IV. HANDLING FINANCIAL PROBLEMS

MAJOR OBJECTIVE:

TO IDENTIFY CAUSES AND WAYS TO ALLEVIATE FREQUENTLY OCCURRING FINANCIAL PROBLEMS.

SPECIFIC OBJECTIVES:

TO IDENTIFY SEVERAL FREQUENTLY OCCURRING FINANCIAL PROBLEMS.

TO LIST TYPICAL CAUSES OF FINANCIAL PROBLEMS.

TO UTILIZE SEVERAL FORMULAS FOR CALCULATING WHEN YOU ARE OVER-EXTENDED.

TO IDENTIFY MEASURES THAT CAN BE TAKEN TO ALLEVIATE OVER-EXTENSION.

TO LIST SOURCES OF ASSISTANCE AND COUNSELING FOR OVER-INDEBTEDNESS.

TO EXAMINE BANKRUPTCY PROCEDURES AND THEIR USE IN SOLVING FINANCIAL PROBLEMS.

For further information and suggestions on this manual and/or this Title I Consumer Education and Financial Management Project, please contact:

Dr. Glen Mitchell, Project Director
202 Wallace Annex
Virginia Polytechnic Institute and State University
Blacksburg, VA 24061

Other materials in production for this project include:

Pamphlets:

"Fraud and the Consumer"

"How to Buy a Used Car"

"Contracts and the Consumer"

"Warranties and the Consumer"

"Credit and the Consumer"

Educational Modules:

"Obtaining and Using Consumer Credit"

"Avoiding Consumer Frauds and Misrepresentations"